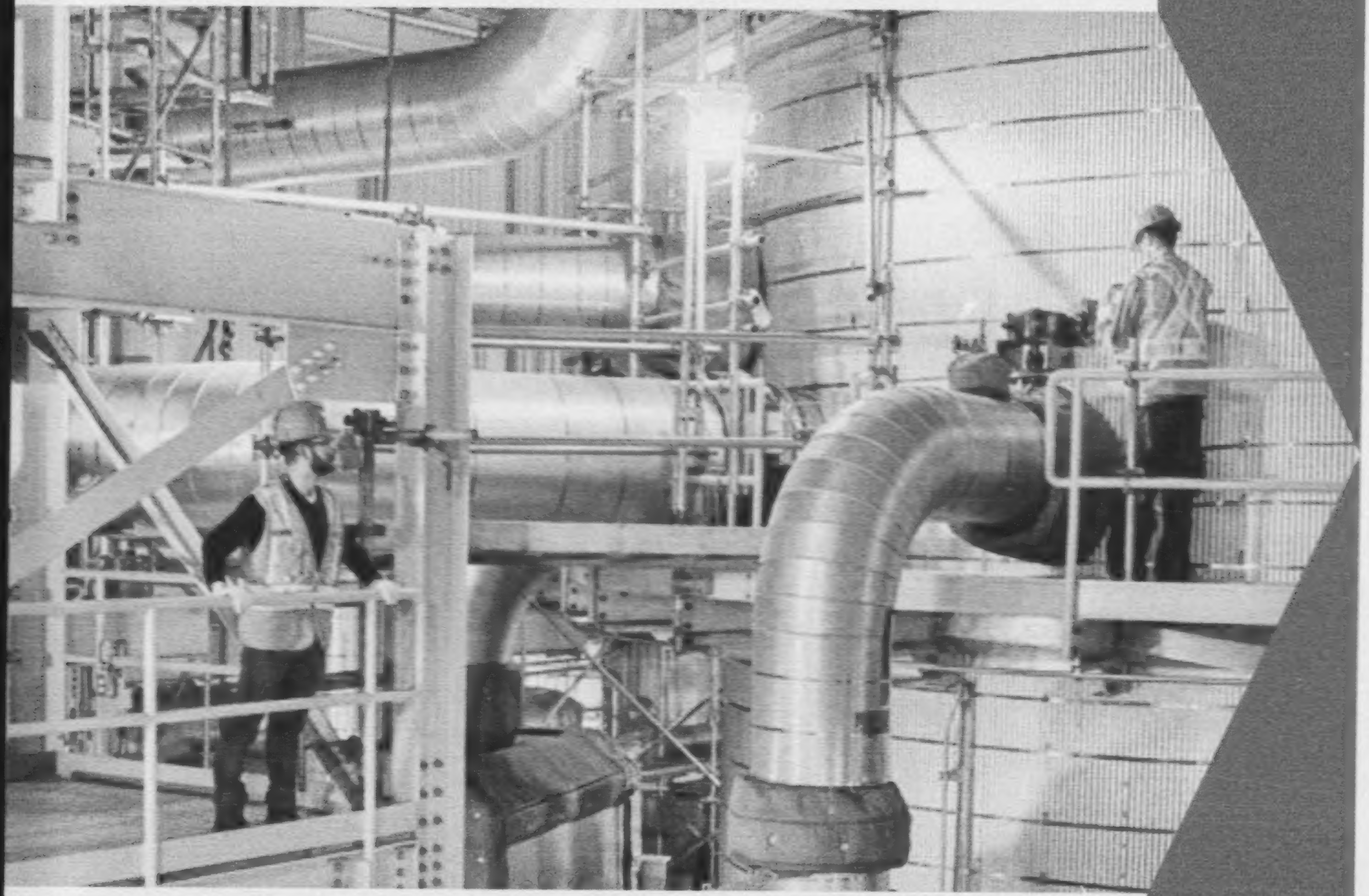
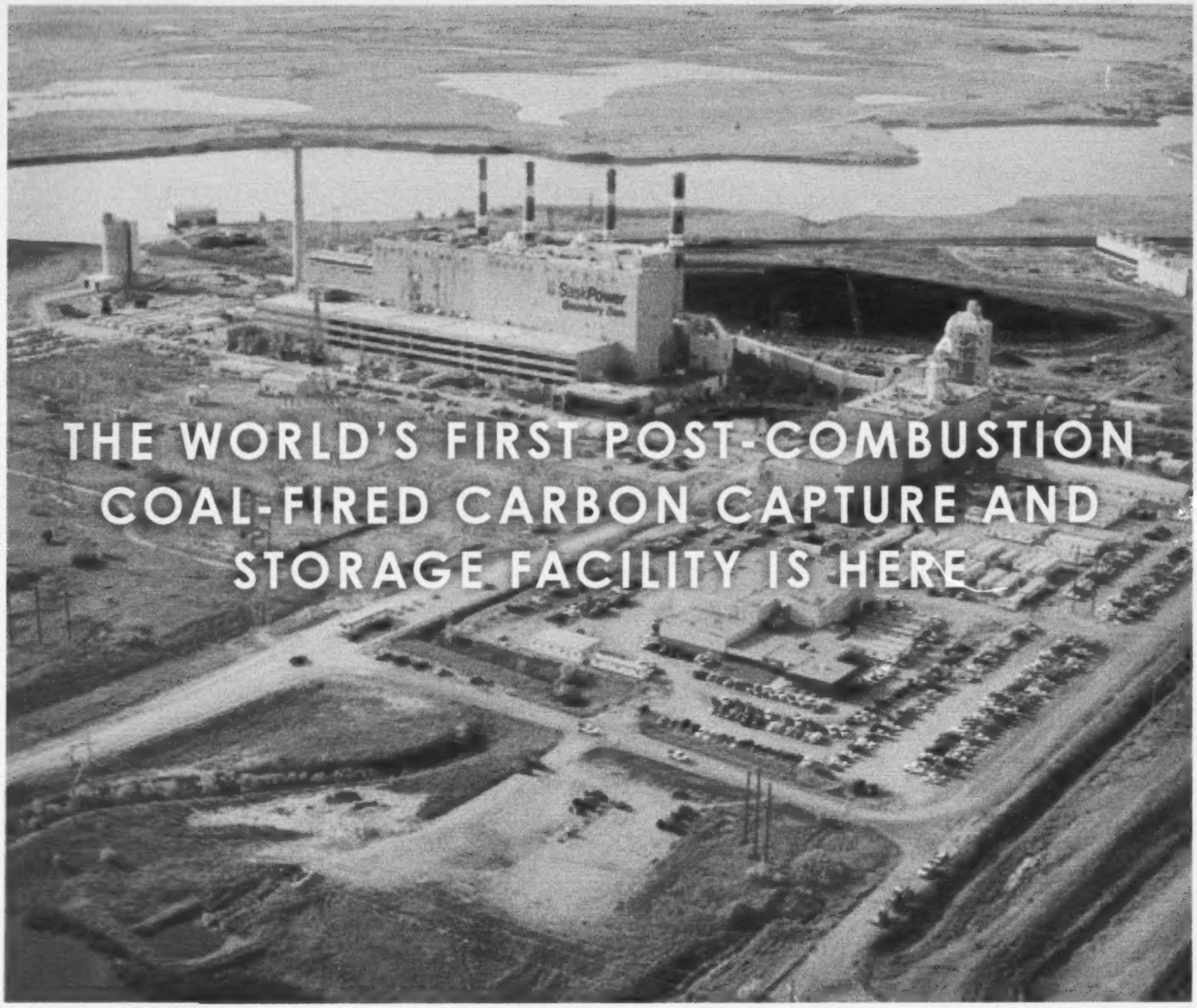
Investing for our

POWER FUTURE



SASKPOWER 2014 ANNUAL REPORT

SaskPower
Powering the future®



THE WORLD'S FIRST POST-COMBUSTION COAL-FIRED CARBON CAPTURE AND STORAGE FACILITY IS HERE

During 2014, SaskPower continued a multi-year, multi-billion-dollar journey to rebuild and expand our province's electricity infrastructure. It will ensure that we have the electricity needed to secure Saskatchewan's power future.

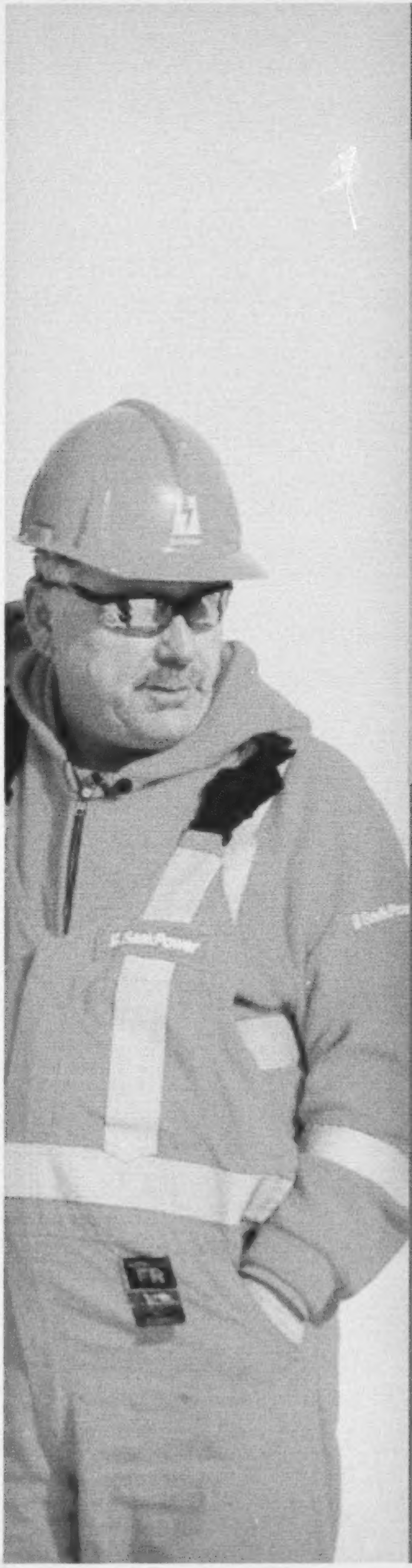
We are investing with a view to deliver on our corporate mission: reliable, affordable and sustainable power. That means making smart choices and working efficiently while pursuing innovative means of generating and delivering electricity.

As the world focuses on climate change, our company is in the midst of a critical transformation to cleaner sources of electricity. In 2014, we took a giant leap forward by delivering the world's first commercial-scalle post-combustion carbon capture and storage (CCS) facility* at coal-fired Boundary Dam Power Station.

We will capture 90% of the carbon dioxide created by a generating unit that is capable of providing enough power to supply 100,000 homes. Emissions will be reduced by about 1,000,000 tonnes each year, prolonging the life of an economical, stable and secure local fuel source.

With global coal demand estimated to reach 9 billion tonnes per year in the next five years, Boundary Dam's CCS technology is strengthening our province's — and potentially the world's — electricity infrastructure.

Front cover and this page:
Boundary Dam Power Station, home of the world's first commercial-scale post-combustion carbon capture and storage facility at a coal-fired plant.



CORPORATE PROFILE

Established in 1929, SaskPower is Saskatchewan's leading energy supplier. We are defined by our commitment to support economic growth and enhance quality of life in our province. Our corporate mission: reliable, affordable and sustainable power for our customers.

SaskPower's team is made up of nearly 3,100 permanent full-time employees. We manage more than $9 billion in generation, transmission and distribution assets. Our company operates five natural gas power stations, three coal-fired power stations, seven hydroelectric power stations and two wind facilities. Combined, they generate 3,338 megawatts (MW) of electricity.

SaskPower also buys power from the North Battleford Generating Station, Cory Cogeneration Station, Meridian Cogeneration Station, Spy Hill Generating Station, Red Lily Wind Power Facility, SunBridge Wind Power Facility and NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Facilities. At the end of the year, our company's total available generation capacity was 4,181 MW.

We are responsible for serving more than 511,000 customer accounts within Saskatchewan's geographic area of approximately 652,000 square kilometres. About three customers are supplied per circuit kilometre. We maintain almost 156,000 kilometres of power lines, 54 high voltage switching stations and 192 distribution substations. Our company also has interties at the Manitoba, Alberta and North Dakota borders.

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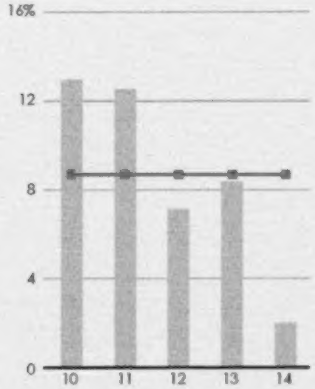
PERFORMANCE HIGHLIGHTS

FINANCIAL INDICATORS

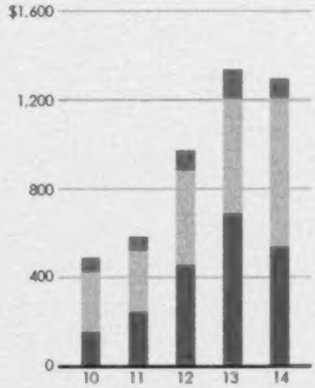
(in millions)	2014	2013	Change
Revenue	$ 2,157	$ 2,045	$ 112
Expense	2,114	1,878	236
Income before unrealized market value adjustments	43	167	(124)
Net income	60	114	(54)
Capital expenditures	1,279	1,318	(39)
Long-term debt	4,355	3,568	787
Short-term advances	890	804	86
Finance lease obligations	1,138	1,137	1
Return on equity[1]	2.0%	8.2%	-6.2%
Per cent debt ratio[2]	73.1%	69.8%	3.3%

1. Return on equity = (income before unrealized market value adjustments)/(average equity).

2. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds – cash and cash equivalents).



RETURN ON EQUITY VS. LONG-TERM TARGET



CAPITAL EXPENDITURES ($ MILLIONS)

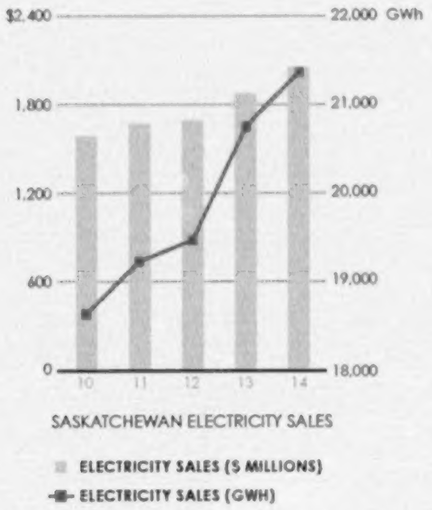
9.7% INCREASE IN SASKATCHEWAN ELECTRICITY SALES IN THE PAST TWO YEARS

$4.7 BILLION TOTAL CAPITAL INVESTED IN THE PAST FIVE YEARS, NOT INCLUDING $845 MILLION IN FINANCE LEASE AGREEMENTS WITH INDEPENDENT POWER PRODUCERS

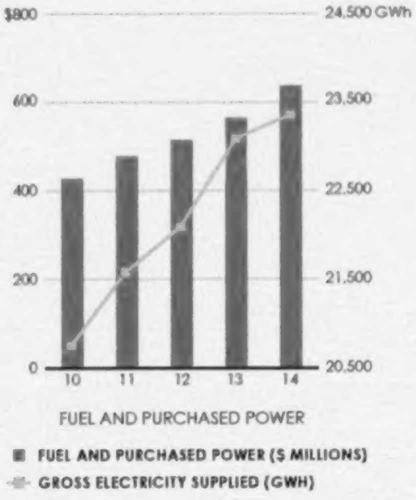
OPERATING STATISTICS

(GWh[1])	2014	2013	Change
Saskatchewan electricity sales	**21,389**	20,753	636
Exports	**90**	497	(407)
Total electricity sales	**21,479**	21,250	229
Gross electricity supplied	**23,424**	23,155	269
Line losses	**(1,945)**	(1,905)	(40)
Net electricity supplied	**21,479**	21,250	229
Generating capacity (net MW[2])	**4,181**	4,281	(100)
Peak load (net MW[2])	**3,561**	3,543	18
Customer accounts	**511,941**	500,879	11,062

1. One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical houses in one year.
2. Megawatt (MW) is a unit of bulk power: 1,000 kilowatts. The unit is generally used to describe the output of a commercial generator.



SASKATCHEWAN ELECTRICITY SALES



FUEL AND PURCHASED POWER

LETTER OF TRANSMITTAL

Regina
March 2015

To Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Madame:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 2014.

The report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of the Saskatchewan Power Corporation, all in accordance with *The Power Corporation Act.*

I have the honour to be, Madame, your obedient servant,

Bill Boyd

Honourable Bill Boyd
Minister Responsible for Saskatchewan Power Corporation

OUR STRATEGIC CONTEXT

OUR VISION

A world-leading power company through innovation, performance and service.

OUR MISSION

Reliable, affordable, sustainable power.

OUR VALUES

Safety, dedication and respect.

OUR CORE STRATEGIES AND STRATEGIC PRIORITIES

People [p 27]

- *Customer experience*
- *Workforce excellence*
- *Stakeholder relations*

Financial [p 38]

- *Process efficiency and cost management*

Stewardship [p 43]

- *Infrastructure management, renewal and growth*
- *Supply mix diversification*
- *Environmental stewardship*
- *Technology enablement*

A MESSAGE TO OUR STAKEHOLDERS

No matter where our customers are in Saskatchewan, electricity is a fundamental part of their lives. When they flip a switch, most don't give us a second thought.

But behind that flow of electricity is a team of dedicated employees working hard to provide reliable, affordable and sustainable power 24 hours a day, 365 days a year. They are committed to not only providing electricity for this generation, but also the next.

With the demand for electricity continuing to increase, SaskPower is investing for Saskatchewan's power future. Our company is planning to spend billions in the coming years to upgrade aging infrastructure and increase system capacity.

Going forward, we're aiming to meet a number of substantial challenges: improving reliability, meeting growth, maintaining reasonable rates and introducing cleaner generation sources.

INVESTING IN OUR SYSTEM

In our province, demand for electricity has grown nearly 10% in two years and our peak load continues to rise. As we plan and build for the future, it's essential to maintain a diverse supply mix while introducing low- or non-emitting sources of generation.

In 2014, we took a significant leap forward when we launched the world-leading Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. It's the first commercial-scale post-combustion project of its kind at a coal-fired power station, capable of capturing 90% of one of the leading causes of climate change — carbon dioxide.

Early performance is promising, and the unit is capable of providing enough power to supply 100,000 homes. With the world watching, our focus is on optimizing and evaluating the facility to determine if coal can remain a viable option in the electricity supply mix of the future.

In Saskatchewan, approximately 25% of our available capacity comes from renewable generation sources. We have about 200 megawatts (MW) of wind power installed in our province. In the next four years, we plan to more than double wind capacity with the installation of a new 177-MW facility near Chaplin and smaller projects around the province.

Our transmission and distribution infrastructure is also being expanded to meet new growth, while further investment is being made to address portions of the grid that have aged significantly. In 2014, approximately $350 million was spent on capacity increases and sustainment. This included work on the 300-kilometre Island Falls to Key Lake Transmission Line in Saskatchewan's North, as well as the Saskatoon Area Reinforcement Project.

In order to help our customers better understand our province's power infrastructure challenge, SaskPower launched the province-wide *Power to Grow* tour during the year. It visited 118 communities across Saskatchewan and engaged nearly 27,000 people. When the tour wrapped for the year, 86% of participants surveyed agreed that our province is facing a power infrastructure challenge.

INVESTING EFFICIENTLY AND RESPONSIBLY

During 2014, SaskPower had an operating income of $43 million, down from $167 million in 2013. Meanwhile, return on equity was 2.0% compared to 8.2% the previous year.

The erosion of financial performance was due to a number of factors, but the most influential were capital-related expenses — finance charges, depreciation, taxes and other losses — which grew $106 million. As our company continues

> "GOING FORWARD, WE'RE AIMING TO MEET A NUMBER OF SUBSTANTIAL CHALLENGES: IMPROVING RELIABILITY, MEETING GROWTH, MAINTAINING REASONABLE RATES AND INTRODUCING CLEANER GENERATION SOURCES."

to renew infrastructure and add to our asset base, capital-related expenses will make up a significant portion of our company's costs.

In the last five years, we have invested over $4.7 billion in Saskatchewan's electricity infrastructure. As we move forward with our capital program, we will evaluate investment decisions against their impact on operational performance to make sure that we make the most prudent decisions. Meanwhile, with the need for financial constraints across the Crown sector, we will continue to examine business processes to improve efficiencies.

INVESTING IN SAFETY AND TRUST

This summer, our smart meter installation program was put on hold after 10 residential meter failures. A decision was made to remove all smart meters that had already been installed, and that work is now substantially complete.

It was a challenging time, but we are moving forward. A smart grid remains part of SaskPower's plans and we will continue to work toward building a modern, responsive, intelligent electricity system for our future in order to improve reliability, efficiency and billing accuracy. A large part of this vision is smart meters.

We'll move forward with finding a meter solution that will ensure strict standards are followed under a new SaskPower specification that is currently in development. Any new smart meter designed for our company's use will need to meet more stringent standards than currently established for the industry; we will also have the new meter's certification independently verified before accepting or installing any smart meters in the future.

The safety of the public and employees always comes first — it is always our highest priority in everything we do. However, even with all of the measures and controls in place to minimize risks, electricity is dangerous. Tragically, late in the year one of our employees was involved in a fatal accident when repairing a power line. This is an extremely sobering event for all of us at SaskPower. Our condolences go out to the family, friends and coworkers of our lost colleague.

INVESTING IN PEOPLE

In 2014, more than 11,000 new customer accounts were added, and we expect that trend to continue. As our customer base continues to grow, we are striving to improve service delivery and make it easier and faster to do business with SaskPower. This includes connecting customers to the grid in a timely way, enhancing self-serve options, and educating customers on efficiency and conservation.

A key focus is working with customers on energy conservation, efficiency and load management. We're continuing to expand programming to help residential, institutional, commercial and industrial customers reduce electricity use. During the year, we achieved 13 MW of demand savings, including a milestone of over 25,000 inefficient units retired and recycled through our Refrigerator/Freezer Recycling Program.

Whether it is conservation, customer connections, or infrastructure renewal and growth, we know that we need to have the right people with the right skills in the right jobs. In 2014, we developed a new Five-Year Workforce Plan that will ensure we have the employees necessary to execute our company's strategy. The plan focuses on recruitment, succession planning and diversity.

All of the accomplishments of the past year were made possible because of the nearly 3,100 SaskPower employees across the province. Day and night, they are always ready to tackle any obstacle that gets in the way of providing electricity to our customers.

We extend our thanks to our employees and Board members, past and present, for their support over the past year. We look forward to the opportunities ahead in 2015, as we prepare to power the future by investing today.

Rob Pletch
Chair, Board of Directors

Mike Marsh
Acting President and CEO

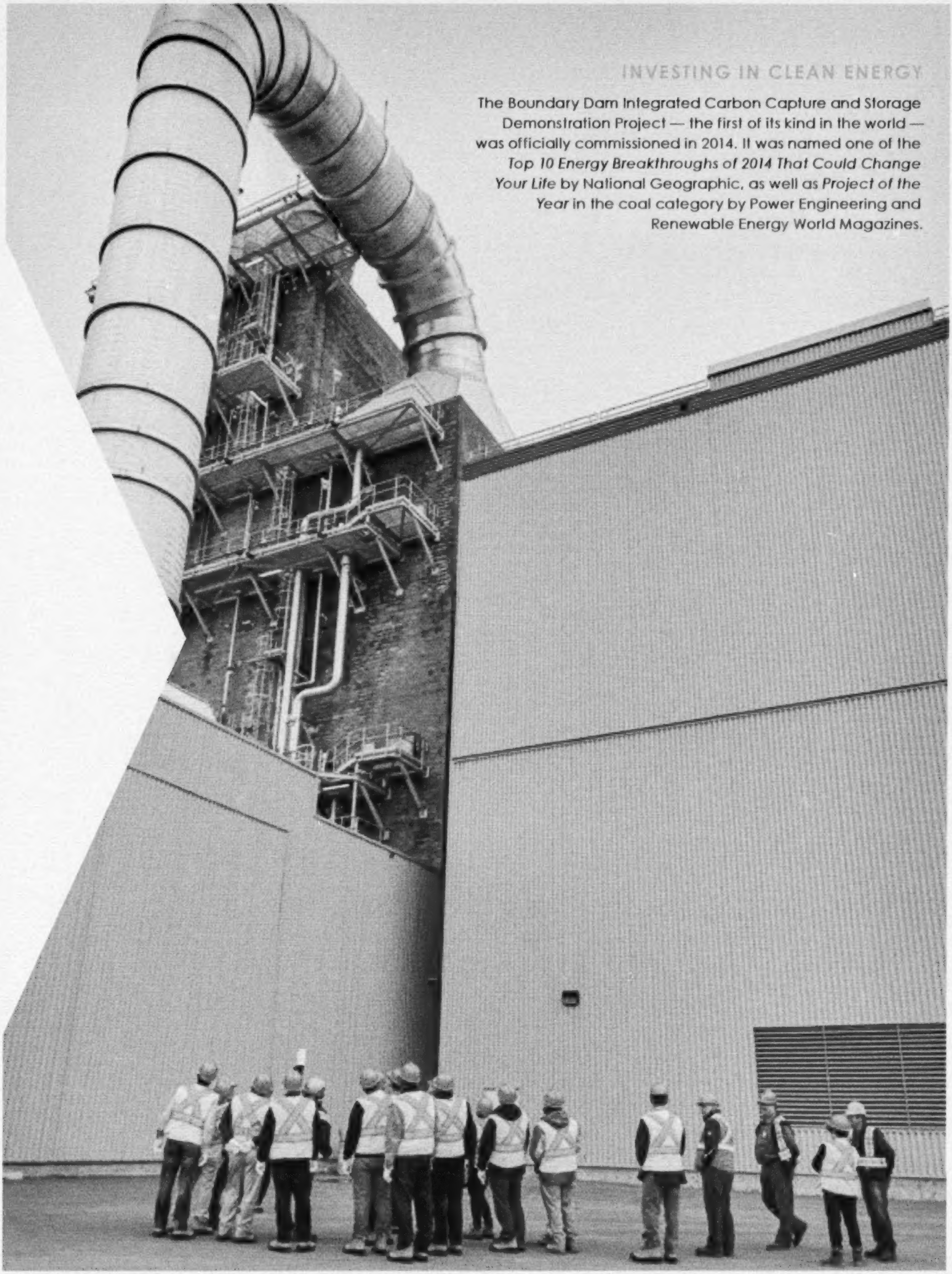
3,561 MW RECORD PEAK LOAD

23,424 GW HOURS RECORD GROSS ELECTRICITY SUPPLIED

$1.279 BILLION CAPITAL INVESTMENT IN SASKATCHEWAN'S ELECTRICITY SYSTEM

2014 YEAR AT A GLANCE

- **UNVEILED** the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, the world's first and largest project of its kind, completed with over 4.5 million man hours without a lost-time injury.
- **CONTINUED** construction of the Shand Carbon Capture Test Facility, scheduled for completion in 2015.
- **SPENT** $583 million on connecting customers to SaskPower's system, as well as on transmission and distribution capacity increases and sustainment.
- **INVESTED** $409 million in power station upgrades to address demand growth and sustainment needs.
- **CONTINUED** an expansion of Queen Elizabeth Power Station that will add 205 MW of capacity to our generating fleet.
- **CONTINUED** construction of the $380-million I1K Transmission Line, which will link Island Falls with Key Lake in Saskatchewan's North.
- **CONTINUED** the Saskatoon Area Reinforcement Project, which will improve reliability and capacity in the area.
- **REACHED** an agreement with Manitoba Hydro for the purchase of 25 MW of firm electricity capacity from 2015 to 2022.
- **ACHIEVED** total accumulated demand savings of 90 MW through a portfolio of energy efficiency and conservation programs, keeping our company on track to reach a 10-year target of 100 MW by the end of 2017.
- **NAMED** one of Canada's Top Employers for Young People, one of Canada's Best Diversity Employers, and one of Saskatchewan's Top Employers as part of Canada's Top 100 Employers project.
- **AWARDED** Progressive Aboriginal Relations silver status by the Canadian Council for Aboriginal Business.
- **LAUNCHED** our *Power to Grow* tour, which made 118 community visits throughout Saskatchewan to provide an interactive and engaging way for customers to learn about the province's electrical infrastructure challenges.



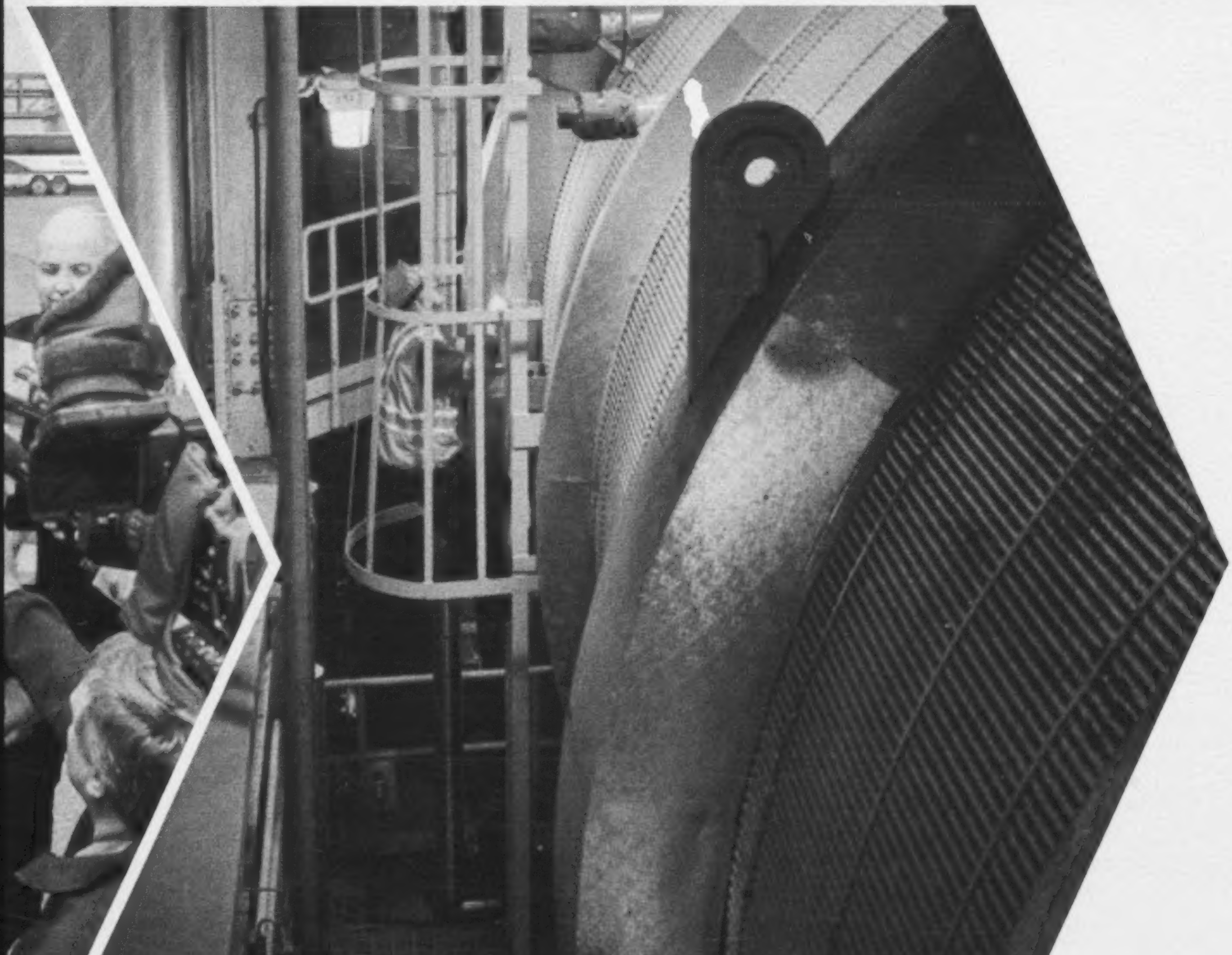
INVESTING IN CLEAN ENERGY

The Boundary Dam Integrated Carbon Capture and Storage Demonstration Project — the first of its kind in the world — was officially commissioned in 2014. It was named one of the *Top 10 Energy Breakthroughs of 2014 That Could Change Your Life* by National Geographic, as well as *Project of the Year* in the coal category by Power Engineering and Renewable Energy World Magazines.

SaskPower
Carbon Capture and Storage
CJ
CKO
CTV

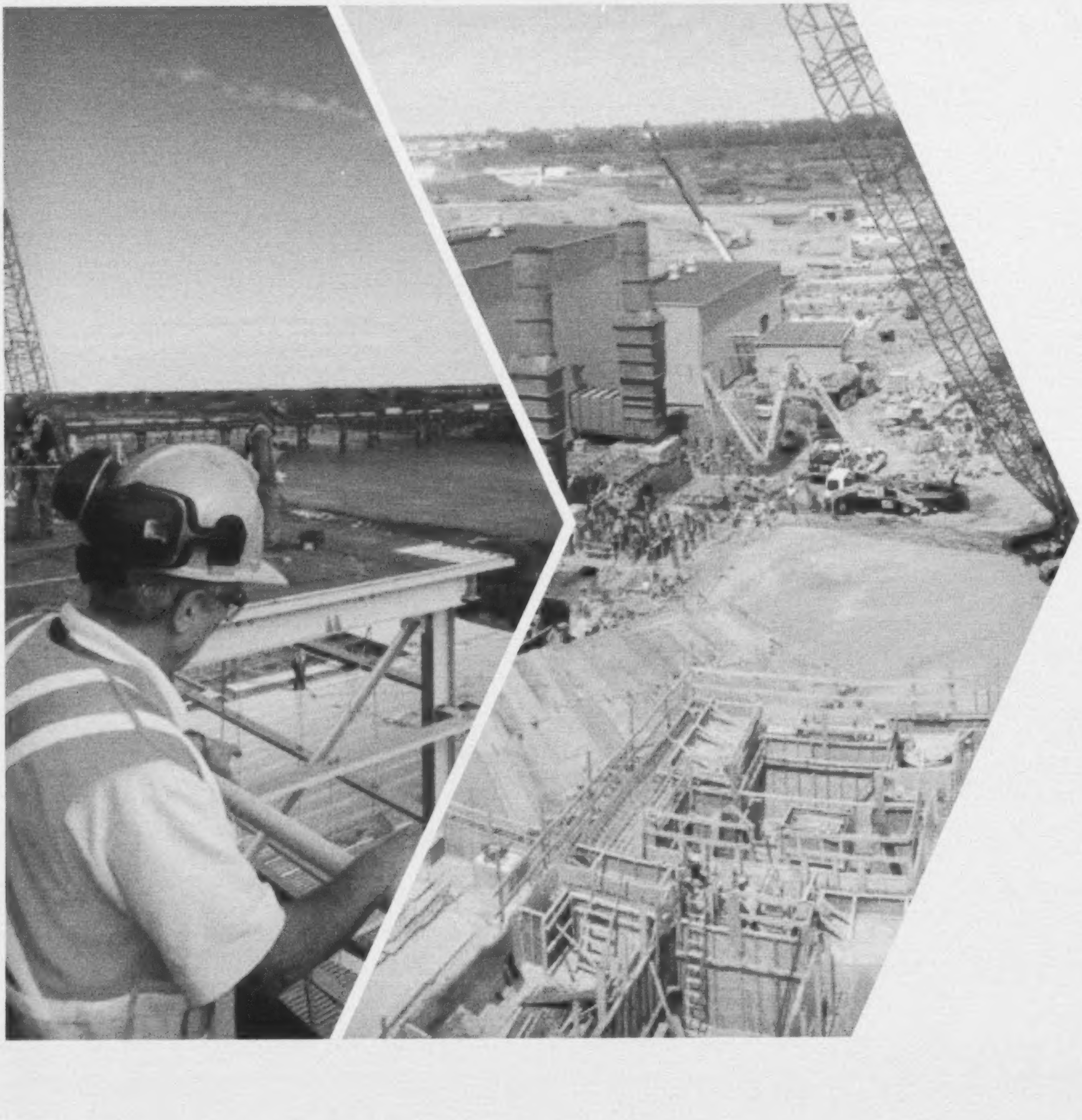
INVESTING IN INNOVATION AND COLLABORATION

By capturing up to 90% of the carbon dioxide emissions from a coal-fired generating unit, the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project has become a focus of global interest in the search for greenhouse gas reductions.



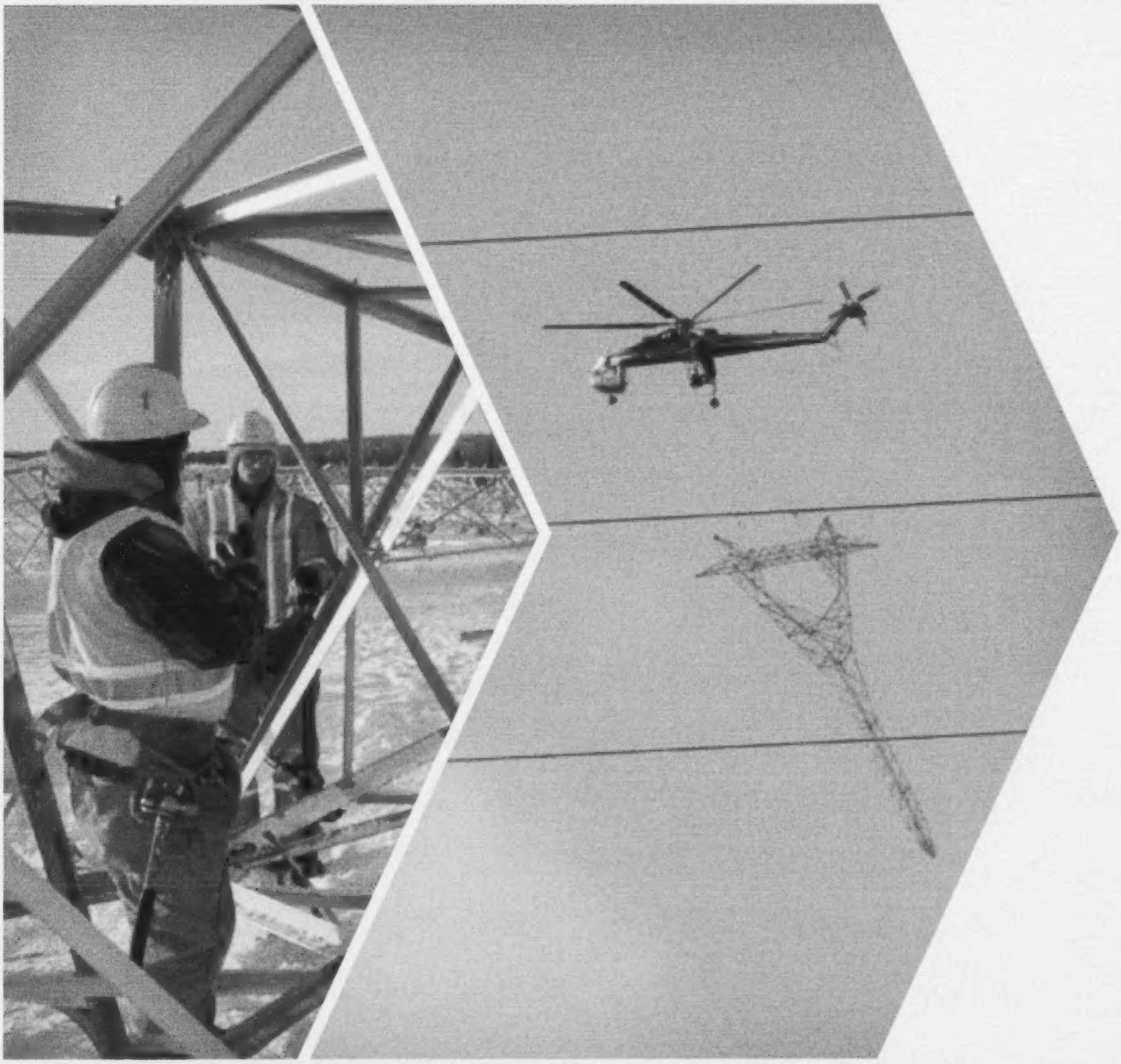
INVESTING IN AGING INFRASTRUCTURE

The Queen Elizabeth Power Station in Saskatoon, commissioned in 1959, is seeing new life with an expansion that will add 205 MW of capacity to our generating fleet.



INVESTING IN SASKATCHEWAN'S NORTH

The 300-kilometre I1K Transmission Line — from Island Falls to Key Lake — is being constructed on the Canadian Shield.



INVESTING IN RELIABILITY

SaskPower has completed a pilot project using an unmanned aerial vehicle (UAV) to inspect power lines and stations. In future, UAVs could assist in prioritizing grid maintenance by helping identify trouble spots.

INVESTING IN BIODIVERSITY AND THE ENVIRONMENT

Our company is participating in woodland caribou studies that include satellite-linked GPS collaring, while the SaskPower Shand Greenhouse has reached a total of nearly 10 million seedlings produced using waste heat.

INVESTING IN UNDERSTANDING

SaskPower's new *Power to Grow* tour is making stops throughout Saskatchewan to provide an interactive and engaging way to learn about our province's electrical infrastructure challenges.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 4, 2015

The following is a discussion of the consolidated financial condition and results of the operations of Saskatchewan Power Corporation (SaskPower; the Corporation) for the year ended December 31, 2014. It should be read in conjunction with the audited financial statements and accompanying notes. The financial information discussed herein has been prepared in accordance with International Financial Reporting Standards (IFRS).

This management's discussion and analysis (MD&A) contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

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MD&A

OUR BUSINESS

At SaskPower, we are committed to supporting economic growth and enhancing quality of life in Saskatchewan while pursuing our vision of being a world-leading power company through innovation, performance and service. We work around the clock to provide power generation, transmission and distribution services to more than 511,000 customer accounts. Our company prides itself on maintaining one of the largest service areas in Canada — a geographic region of approximately 652,000 square kilometres.

SaskPower is a vertically integrated utility with almost 3,100 permanent full-time employees. One-half of our workforce is comprised of members of the International Brotherhood of Electrical Workers Local 2067. An estimated 15% of workers belong to Unifor Local 649, with out-of-scope staff accounting for the balance.

Our company manages more than $9 billion in assets, relying on a generating fleet that uses a wide range of fuels including natural gas, coal, hydro, and wind. This diversity provides a hedge against supply and price volatility, protecting customers from some of the risk inherent in any single fuel. SaskPower has two wholly owned subsidiaries — NorthPoint Energy Solutions and SaskPower International.

MANDATE

SaskPower traces its origins to the Saskatchewan Power Commission that was founded in 1929. In 1949, our company was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act* (the Act). The Act has had a number of modifications over its lifetime. However, SaskPower's mission — to deliver power in a reliable, affordable and sustainable manner — has not fundamentally changed.

The Act grants SaskPower the exclusive franchise within the province of Saskatchewan (except for the City of Saskatoon and the City of Swift Current) to supply, transmit and distribute electricity, as well as to provide retail services to customers. The Reseller customer class is made up of two cities that retained their municipal franchise — the City of Swift Current and the City of Saskatoon.

SaskPower opened Saskatchewan's wholesale electricity market to competition through an open access transmission tariff (OATT) in 2001. It allows competitors to schedule access to our transmission system, enabling them to wheel power through Saskatchewan or sell to SaskPower's wholesale (Reseller) customers.

Our company's vision, mission and values flow from the Act and SaskPower's relationship with our parent company, Crown Investments Corporation (CIC) of Saskatchewan. We support the strategic direction provided by CIC. In turn, CIC is responsive to general government direction as articulated in a variety of ways, such as through the annual Speech from the Throne or formal policy statements.

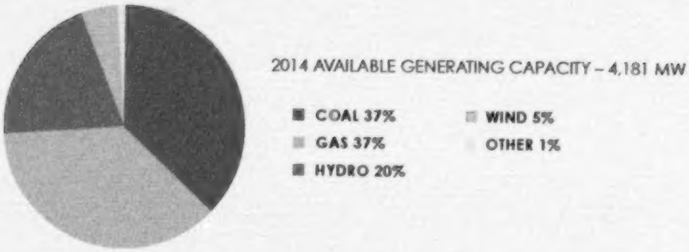
$9.7 BILLION

AMOUNT OF SASKPOWER ASSETS

Pursuant to the Act, the President and Chief Executive Officer of SaskPower reports to a Board of Directors appointed by the Lieutenant Governor in Council. Through the Chair, our company's Board of Directors is accountable to the Minister Responsible for Saskatchewan Power Corporation. The Minister functions as a link between SaskPower and provincial cabinet, as well as the Saskatchewan Legislative Assembly.

OUR CAPABILITY TO DELIVER RESULTS

SaskPower maintains an extensive province-wide system of generation, transmission and distribution assets. With a history of innovation spanning more than 85 years, our company remains focused on strengthening our customers' experience while achieving our mission of providing Saskatchewan with a reliable, affordable and sustainable supply of electricity.



SUPPLY

To maintain reliability of service, SaskPower operates with a generating capacity greater than the province's peak demand. Our company's available capacity is 4,181 megawatts (MW), down 100 MW from 2013 due primarily to the retirement of Boundary Dam Power Station Unit #2, Success Power Station and the loss of production from Independent Power Producer (IPP) Prince Albert Pulp Inc.

Available capacity includes 3,338 MW available from our company's own assets — five natural gas stations, three coal-fired stations, seven hydroelectric stations and two wind facilities. SaskPower also has a generating capacity of 843 MW available through long-term power purchase agreements (PPAs). IPP facilities producing this electricity are the gas-fired North Battleford Generating Station at North Battleford; the gas-fired Cory Cogeneration Station near Saskatoon; the gas-fired Meridian Cogeneration Station at Lloydminster; the gas-fired Spy Hill Generating Station near Esterhazy; the Red Lily Wind Power Facility near Moosomin; the SunBridge Wind Power Facility near Swift Current; and the NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Facilities.

The total available generating capacity is above our company's record system peak load of 3,628 MW, which was set in January of 2015. SaskPower's reserve generating capacity — the difference between total available generating capacity and load — provides our company with the ability to carry out planned and unplanned maintenance. SaskPower will also take advantage of excess capacity throughout the year to make export sales when we can earn an appropriate margin while operating within an acceptable level of risk. Our company's operating reserve is 291 MW, of which 40% or 116 MW must be spinning.

NETWORK

SaskPower's vast power line system provides the vital link between electricity generation sources and customers. Our transmission system is made up of 13,405 kilometres of power lines and 54 high voltage switching stations located across Saskatchewan. Transmission lines are high voltage lines (over 25,000 volts) that transport large volumes of electricity from generating stations to load centres — cities, towns and large industrial or commercial customers.

3,628 MW

RECORD PEAK LOAD SET IN JANUARY OF 2015

Our distribution system consists of 142,403 kilometres of power lines, 192 distribution substations and approximately 180,000 pole and pad-mounted transformers. Distribution lines are lower voltage lines (25,000 volts and under) that take electricity in smaller quantities to residential users and smaller commercial consumers. SaskPower's infrastructure includes the Grid Control Centre (GCC), which directs the safe and reliable operation of the power system, as well as the Supervisory Control and Data Acquisition (SCADA) system that provides remote operations and control of our facilities.

The challenge of managing our transmission and distribution system is considerable because of the large geographic size of the province, locations of various sources of generation, and a dispersed and relatively small population.

SaskPower has interconnections at the Manitoba, Alberta and North Dakota borders. These provide our company with the capability to import or export electricity to meet higher internal demand or take advantage of export market opportunities. Under normal system conditions, the import capability is up to 200 MW from Manitoba, 75 MW from Alberta and 100 MW from North Dakota. The export capability is up to 90 MW to Manitoba, 153 MW to Alberta and 100 MW to North Dakota.

These interconnection capabilities vary with system conditions, including generation and load level. In compliance with the OATT, SaskPower is required to compete with other suppliers for access to these interconnections.

OUTLOOK

SaskPower has entered one of the most challenging eras in company history. Saskatchewan's economy and population continue to grow, as does the demand for electricity. Our generation, transmission and distribution infrastructure is aging and will require us to rebuild, replace or renew it in its entirety over the next 40 years while also accommodating growth. Meanwhile, federal regulations are in place that effectively eliminate our primary baseload electricity source — conventional coal-fired generation.

Forecasting load growth in Saskatchewan remains a challenge. Large-scale industrial and commercial customers represent a significant amount of Saskatchewan's total electricity demand — approximately 100 customer accounts make up almost 40% of our province's load. Decisions made by these large customers can significantly affect the province's electricity requirements.

Federal regulations regarding coal-fired electricity generation will have a significant impact on SaskPower's future generation options. Conventional coal generation represents 37% of SaskPower's total generation capacity and the majority of its baseload generation. Meeting these regulations requires SaskPower to rely on carbon capture technology or more environmentally friendly generation sources to meet the growing demand for power and to replace aging generation options.

Over the past five years SaskPower has added 700 MW of new capacity while retiring a net 156 MW of coal-fired generation. Our company is forecasting over 400 MW of additional new power generation capacity in the next four years including:

- Queen Elizabeth Power Station expansion – 205 MW;
- Meadow Lake Tribal Council biomass facility – 36 MW;
- Algonquin Power Chaplin wind facility – 177 MW; and
- Various SaskPower Green Options (GO) Partners Program projects.

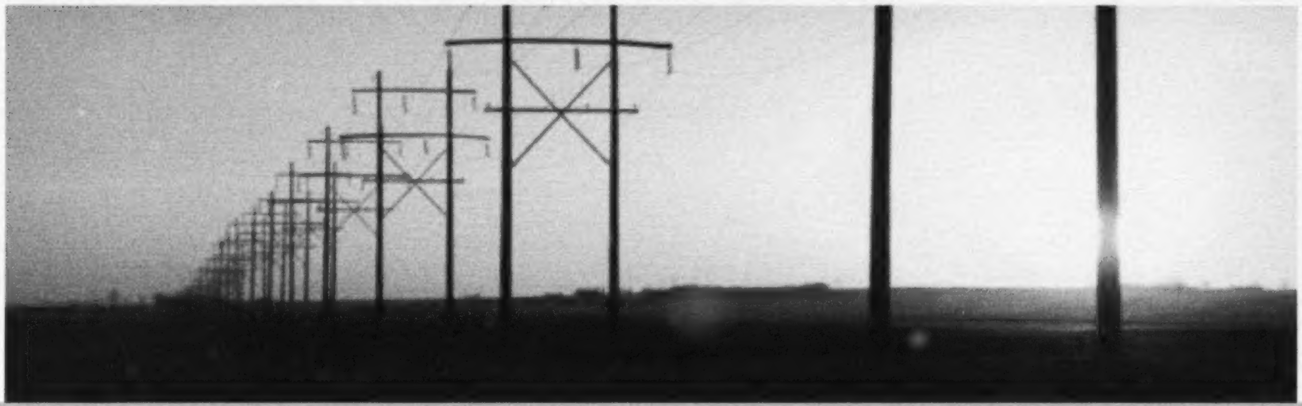
We have reached an agreement with Manitoba Hydro to import 25 MW of firm electricity capacity from 2015 to 2022. A memorandum of understanding is facilitating discussion, which could increase SaskPower's imports from Manitoba to 500 MW.

We are committed to educating customers about opportunities for energy conservation and efficiency, and continue to offer many programs to support efforts to reduce consumption. SaskPower is ahead of schedule in helping customers save 100 MW of capacity by 2017, having already saved 90 MW through our demand side management activities.

To address the challenges around meeting future demand, we are continuously engaged in extensive system planning. In addition to a 10-Year Supply Plan that is updated annually, we are also updating our 40-Year Outlook.

The 40-Year Outlook identifies a number of potential scenarios for future electricity supply and is designed to enhance dialogue and research. These scenarios are helping us analyze the potential implications of various supply mixes as we search for a way to find cleaner sources of electricity to replace our retiring baseload conventional coal-fired generation.

Meanwhile, we also have a Far North Supply Strategy. It is focused on meeting growing demand in Saskatchewan's North, which is served by a grid that is completely isolated from our province's southern infrastructure.



OUR ENTERPRISE-WIDE STRATEGIC CONTEXT

CORE STRATEGIES	STRATEGIC PRIORITIES
A FOCUS ON **PEOPLE**	1 Customer experience 2 Workforce excellence 3 Stakeholder relations
FINANCIAL PERFORMANCE	4 Process efficiency and cost management
PROGRESSIVE **STEWARDSHIP**	5 Infrastructure management, renewal and growth 6 Supply mix diversification 7 Environmental stewardship 8 Technology enablement

VISION

A world-leading power company through innovation, performance and service.

MISSION

Reliable, affordable, sustainable power.

VALUES

Safety, dedication and respect.

SaskPower's corporate strategy is designed to maximize organizational performance. Our strategic direction is articulated in our vision, mission, and values statements. Our vision reminds us of the ideals we are pursuing and what we want to achieve in years to come. Our mission tells us why our business exists and defines its unique purpose. Our values are the fundamental principles that guide and govern our behaviour.

Our planning, execution and performance measurement are built around three core strategies and eight key strategic priorities. SaskPower's core strategies act as our company's areas of critical focus, while our performance drivers are our strategic priorities. Each core strategy and strategic priority plays a prominent role in SaskPower's Strategic Plan and Business Plan, which are revised annually. Input is provided by our employees, Executive and Board of Directors. The resulting course is closely aligned with the direction of our shareholder, Crown Investments Corporation of Saskatchewan.

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OUR PERFORMANCE MEASURES, TARGETS AND STRATEGIC INITIATIVES

SaskPower's three core strategies and eight strategic priorities propel the operational and financial success of our business. They are the foundation of our Corporate Balanced Scorecard, which provides the framework for our day-to-day work, creation of targets, measurement of organizational performance, and execution of long-term planning.

During 2014, we took a number of steps to advance our vision of becoming a world-leading power company. In addition to fulfilling our mission of providing reliable, affordable and sustainable power to customers, we made our company stronger by moving forward with our plan for the renewal and growth of our power grid through innovative and sustainable solutions. The targets, results and special initiatives associated with each of SaskPower's core strategies and key priorities are contained within this section.

SASKPOWER CORPORATE BALANCED SCORECARD

	Core strategies, strategic priorities & performance measures	2013 actual	2014 target	2014 actual	2015 target	2016 target	2017 target
	PEOPLE CUSTOMER EXPERIENCE WORKFORCE EXCELLENCE STAKEHOLDER RELATIONS						
M1.	Customer Experience Index (residential/industrial)	•	5.4/7.1	5.8/7.5	5.9/7.6	6.2/7.6	6.2/7.6
M2.	SAIDI/SAIFI (distribution) (hours/outages)	5.9/2.2	5.9/2.4	5.1/2.5	5.9/2.4	5.9/2.4	5.9/2.4
M3.	SAIDI/SAIFI (transmission) (minutes/outages)	•	250/2.4	191/3.6	250/2.4	250/2.4	250/2.4
M4.	Employee Engagement Score (index — six-point scale)	•	2.5	1.4	RETIRED	RETIRED	RETIRED
M4.	Employee Engagement (%) (NEW FOR 2015)	•	•	•	58	60	62
M5.	Safety Index	1.4	1.3	4.0	1.1	1.0	1.0
M6.	Corporate Reputation Index (10-point scale)	7.1	7.2	6.8	7.3	7.4	7.5
	FINANCIAL PROCESS EFFICIENCY AND COST MANAGEMENT						
M7.	Return on equity (operating/net income) (%)	8.2/5.6	1.3	2.0/2.7	3.7	0.9	2.7
M8.	Per cent debt ratio (%)	69.8	74.6	73.1	74.4	76.5	77.3
M9.	OM&A/property, plant & equipment (%)	•	7.6	7.7	7.0	6.8	6.7
M10.	Competitive versus single source procurement (%)	88	75	91	85	85	85
M11.	Rates – thermal utilities comparison (%)	82	≤100	91	≤100	≤100	≤100
	STEWARDSHIP INFRASTRUCTURE MANAGEMENT, RENEWAL AND GROWTH SUPPLY MIX DIVERSIFICATION ENVIRONMENTAL STEWARDSHIP TECHNOLOGY ENABLEMENT						
M12.	Preventable outages (distribution + transmission)	58.3	61.1	68.4	RETIRED	RETIRED	RETIRED
M12.	Preventable outages (distribution) (NEW FOR 2015)	•	•	•	100.0	100.0	100.0
M13.	Equivalent availability factor (%)	•	87.4	83.0	86.8	85.5	88.3
M14.	Planned maint. (distribution + transmission) (%)	65.5	50.0	63.0	RETIRED	RETIRED	RETIRED
M14.	Planned maint. (distribution/transmission) (%) (NEW FOR 2015)	•	•	•	55/80	57/80	59/80
M15.	Non-thermal supply sources (%)	•	25.5	25.9	26.5	29.3	29.6
M16.	CO_{2e} emissions intensity (tonnes CO_{2e}/GWh)	•	670	660	678	667	676
M17.	DSM incremental savings (megawatts)	21	9	13	10	10	10
M18.	Information technology development spend (%)	•	>30	37	>30	>30	>30

- Denotes that actuals or targets were not available or reported for that time period.

CORE STRATEGY: A FOCUS ON

PEOPLE

STRATEGIC PRIORITIES

1. CUSTOMER EXPERIENCE
2. WORKFORCE EXCELLENCE
3. STAKEHOLDER RELATIONS

The success of our business is defined by the strength of our relationships with people — customers, employees and stakeholders at all levels. With a commitment to renew our approach to service, we are seeking to raise customer experience to levels that will rival those of leading companies in any industry. We strive to be an employer of choice, with dedicated, engaged employees working to execute SaskPower's strategy.

We welcome dialogue and create opportunities for stakeholders to provide input. Above all else, in all of our activities the safety of our employees and the public is vital.

STRATEGIC PRIORITY #1 CUSTOMER EXPERIENCE

Delivering exceptional customer experiences is a fundamental strategic priority for SaskPower. Our customers expect products and services that will help them save time and money. They also expect options and alternatives to meet their service needs, and they expect their issues to be addressed quickly and resolved the first time.

We ask our employees to be customer focused and to always consider the impact of their work. To further ensure SaskPower consistently delivers exceptional customer experiences, we have established a Customer Experience Council. This senior-level, cross-functional team is charged with leading projects and initiatives to improve the experience delivered to all customers.

In a study comparing the customer satisfaction of Canadian electric utilities, our customers rated their satisfaction with SaskPower higher than any other customers rated their respective utility. However, our own research suggests that when compared to non-utility service providers, our customers indicate a below average experience. SaskPower is aiming to deliver a customer experience that is competitive with Saskatchewan's non-utility service providers because that is who our customers compare us to and that is what they expect of us.

During 2014, our company continued to be challenged by an increasing demand for services and an expansion of our customer base. Since 2011, SaskPower has been adding approximately 10,000 new customer accounts per year. In 2014, 11,062 accounts were added. Connecting new customers to the grid in a timely fashion continues to be a focus for our company. SaskPower is committed to seeing our service from our customers' perspective, and making improvements that will make it easier to do business with us and improve timeliness of service. We are seeing improved results, with 73% of new customer connections installed by the requested date during the year.

11,062 NUMBER OF NEW CUSTOMER ACCOUNTS

Corporate Balanced Scorecard performance measure

M1. CUSTOMER EXPERIENCE INDEX (RESIDENTIAL/INDUSTRIAL) (10-POINT SCALE)

	2013	2014	2015	2016	2017
Target	•	5.4/7.1	5.9/7.6	6.2/7.6	6.2/7.6
Actual	•	5.8/7.5			

• Denotes that actuals or targets were not available or reported for that time period.

In 2014, SaskPower began using a customer experience metric that measures performance in four key areas: customer perceptions; contact experience; products and services; and value for money. These key areas help our company prioritize improvements according to what matters most to our customers. SaskPower exceeded both its residential and industrial targets during the year.

The industrial customer experience score exceeded its 2014 target as a result of improved performance in all four key areas. In an effort to better serve industrial customers, SaskPower enhanced customer collaboration when coordinating scheduled outages. To improve transparency and to help customers better understand the transmission interconnection process, a stage gate model was developed to make it easier to visualize the steps involved in the process. In an effort to better understand our largest customers' businesses, SaskPower has engaged in strategic discussions to identify better business solutions.

The residential customer experience score exceeded its 2014 target as a result of better performance in customer perceptions and products and services. These gains indicate residential customers feel more positively about SaskPower and that they are more satisfied with their service delivery compared to 2013. These improvements can be largely attributed to enhanced communication with customers. SaskPower's *Power to Grow* tour provided customers with an interactive experience designed to help them better understand how power is delivered to their homes. SaskPower also enhanced outage communication by improving the usability and accessibility of the outage information shared on Twitter.

In 2014, SaskPower's contact centre received 1,078,156 customer calls. To empower employees to consistently deliver exceptional service, our company provided customer excellence training to its agents, created back-office process efficiencies, and implemented technology improvements. As a result, SaskPower was able to respond faster to more customers without adding additional resources.

1,078,156

NUMBER OF CUSTOMER TELEPHONE INQUIRIES

On the technology front, we launched a new online streetlight reporting tool during the year. It allows customers to report streetlight problems any time of the day using an interactive map that graphically displays all SaskPower-maintained streetlights. Our company also partnered with the City of Saskatoon and the City of Swift Current to execute the project, as these two municipalities own and operate a significant number of streetlights that are also now included on the reporting tool. SaskPower is one of the first utilities in Canada to provide an interactive feature to report a streetlight outage from a desktop or mobile device.

Within the Aboriginal customer segment, SaskPower worked directly with First Nations communities and external government agencies to support several new projects that aim to improve energy efficiency, promote environmental protection and develop a future workforce in northern Saskatchewan. This included a partnership with the Black Lake Denesuline First Nation, where SaskPower piloted an appliance recycling program and a residential energy efficiency retrofit project.

The partnership created 20 temporary full-time positions and provided every home in the community with basic energy conservation measures, including: LED bulbs, low-flow shower heads, window film, air sealing and new weather-stripping. Environmental benefits include the removal of over 13,600 kilograms of inefficient appliances from homes and the landfill, and a significant reduction in energy consumption within the community. Our company hopes to engage more First Nations communities with similar projects in 2015.

Additional initiatives that are part of our company's entire customer experience modernization program for the upcoming year include: further implementing self-service options, improving key account and new connect customer experience, and enhancing customer care. Response times to outages, reliability and enhanced communication will also remain prevalent areas of focus.

ADVANCED METERING INFRASTRUCTURE (AMI) PROJECT

During the year, SaskPower's AMI Project smart meter deployment was suspended after our company encountered issues with the residential smart meter being used. Ten of the meters failed in a manner that was unacceptable for customer and employee safety. Substantially all of the approximately 108,000 smart meters that had been installed at residential customer locations have been removed.

Our company reached an agreement with the manufacturer to recover smart meter costs. SaskPower is receiving a refund for all purchased meters — both those that were already installed and those that had not yet been installed — as well as a discount for future metering products.

Our company remains committed to developing a smart grid for Saskatchewan in the coming years. The introduction of smart grid technologies across North America and in other parts of the world promises to enable better outage management due to immediate, automated notification. The smart grid will also allow our company to eliminate customer billing based on estimates.

SaskPower is currently working to develop new design specifications for a future residential smart meter that meets our province's specific needs. The new meter will meet Underwriters Laboratories (UL) standards and pass additional safety verification by an independent third party to ensure the meters function safely in Saskatchewan.

During the year, SaskPower received a copy of a report examining our smart meter program as part of a formal review conducted by independent consultants for our shareholder, CIC. The report identified areas for improvement that included risk management, project management, safety management and procurement processes. SaskPower is examining all facets of the CIC review and will take recommendations for improvement forward as planning for new smart meters continues. Recommendations for improvement will also be applied company-wide.

In the meantime, during the year the provincial communications network and software systems installed as part of the smart meter program were put into use to support SaskEnergy's own AMI system.

PRESERVING AND STRENGTHENING RELIABILITY

A dependable supply of electricity for customers is a foundational element of SaskPower's mission statement: reliable, affordable and sustainable power. With electricity at the core of most activities in our customers' day-to-day lives, the impacts of outages can range from inconvenient to critical. Consequences can be significant, with a loss of service delivery potentially affecting everything from lighting, heating and cooling, to business productivity, public safety and health care.

SaskPower plans, builds and maintains its transmission and distribution grid with a view to minimizing outages while ensuring affordable service. When interruptions do occur, our company responds as quickly as possible in order to restore service. Delivering a reliable supply of electricity to customers across SaskPower's grid can be challenging. The network contains a large number of differing components that can vary greatly in age and condition.

$583 MILLION

AMOUNT SPENT ON SASKATCHEWAN'S TRANSMISSION AND DISTRIBUTION GRID

Meanwhile, SaskPower's service area covers a massive geographic region of approximately 652,000 square kilometres. With almost 156,000 kilometres of power lines and more than 511,000 customer accounts, our company has one of the lowest customer densities relative to grid infrastructure in the country. This not only means that response times in rural areas are often longer due to repair location identification and travel time, but also that the funding of capacity increases and ongoing maintenance can be challenging due to a smaller revenue base relative to the size of the grid.

Saskatchewan's widely variable and often extreme climate also has a fundamental effect on reliability. Wind, lightning, flooding, snow and ice all contribute to outages. Weather is often joined by other factors — including equipment failure/aging infrastructure, trees/vegetation, birds, animals, operator error, and accidents — as the primary causes of interruptions.

Fluctuations in reliability performance highlight our company's need to invest in infrastructure that is near the end of its life or overloaded at times. As a result, SaskPower's capital spending on its transmission and distribution infrastructure continues to grow. Our company's 2014 expenditure on the grid — including customer connections, capacity increases and sustainment — was $583 million. This is a $433 million increase, or nearly four times the amount spent a decade ago.

During the year, our company spent $230 million connecting customers to the grid. Meanwhile, we invested $353 million on new capacity increases and sustainment activities.

With such a large transmission and distribution capital program, our company is focused on investing to provide the best net benefit. SaskPower is instituting enhanced asset management and construction practices to optimize expenditures, decrease maintenance backlog and ultimately improve reliability. To help improve performance, our company has initiated a number of sustainment initiatives. These include:

- Centralizing decision making, in an effort to focus on highest priority apparatus;
- Performing condition and health assessments on assets;
- Determining risk profile by asset class;
- Contingency planning for critical assets;
- Enhancing trouble call software;
- Increasing live-line training;
- Increasing the use of infrared monitoring to assess connections, switches and hot spots;
- Developing a more enhanced Vegetation Management Program;
- Ongoing analysis of outage impacts on customers;
- Contingency planning for sensitive customers; and
- Implementing sustainment programs for most assets, including:
  - Cable replacement and rejuvenation;
  - Wood structure testing and replacement and lattice tower life extension;
  - End-of-life replacement of voltage regulators;
  - Breaker and relay replacement; and
  - Reviewing and enhancing planned maintenance activities.

Corporate Balanced Scorecard performance measure

M2. SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI) (DISTRIBUTION)

	2013	2014	2015	2016	2017
Target	4.1	5.9	5.9	5.9	5.9
Actual	5.9	5.1			

The Distribution SAIDI allows us to track our performance in responding to outages. It is a measure of the average service interruption length in hours that a customer experiences in one year. The SAIDI is influenced by a number of factors, including adverse weather; equipment condition; line contacts; extent of outage; travel time to the trouble point; as well as line staff availability, familiarity with facilities and level of experience.

The positive 2014 Distribution SAIDI result reflects efforts to improve reliability; however, significant improvements in service levels will be dependent upon long-term increases in capital investment and enhanced maintenance activities.

Corporate Balanced Scorecard performance measure

M2. SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX (SAIFI) (DISTRIBUTION)

	2013	2014	2015	2016	2017
Target	1.9	2.4	2.4	2.4	2.4
Actual	2.2	2.5			

The Distribution SAIFI represents the number of outages that a customer experiences in one year. Both controllable and uncontrollable interruptions are taken into account. Outages with controllable elements include infrastructure failures, tree contacts, scheduled outages or loss of supply. Uncontrollable factors include lightning and other adverse weather conditions.

Aging infrastructure, weather and increased load on the system are largely responsible for reduced Distribution SAIFI performance in 2014.

Corporate Balanced Scorecard performance measure
M3. SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI) (TRANSMISSION)

	2013	2014	2015	2016	2017
Target	•	250	250	250	250
Actual	•	191			

• Denotes that actuals or targets were not available or reported for that time period.

The Transmission SAIDI allows us to track our performance in responding to outages specifically related to our transmission assets. It is a measure of the average interruption length in minutes experienced at a bulk electrical service delivery point in one year. The Transmission SAIDI is influenced by a number of factors, including adverse weather and equipment condition.

SaskPower performed better than target in 2014 due to more effective contingency planning for critical assets and sensitive customers; a shifting focus to maintenance on the highest priority assets; and the implementation of sustainment programs for most assets.

Corporate Balanced Scorecard performance measure
M3. SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX (SAIFI) (TRANSMISSION)

	2013	2014	2015	2016	2017
Target	•	2.4	2.4	2.4	2.4
Actual	•	3.6			

• Denotes that actuals or targets were not available or reported for that time period.

The Transmission SAIFI represents the average number of interruptions experienced at a bulk electrical service delivery point in one year.

In 2014, Transmission SAIFI was significantly over the target, indicating more interruptions than expected. Heavy frost and strong winds during the last half of December caused over 100 outages across the province, affecting 23 different lines. Power was restored quickly, which kept the duration of outages low. However, outages between December 18-31 accounted for one-third of the 2014 outage total.

STRATEGIC PRIORITY #2 **WORKFORCE EXCELLENCE**

When it comes to delivering quality service, our company recognizes the critical importance of putting the right people with the right skills in the right place at the right time. As a result, we are continuously focused on ensuring we have the employees necessary to execute our company's strategy.

56% AMOUNT OF WORKFORCE ELIGIBLE FOR RETIREMENT IN NEXT 10 YEARS

SaskPower's workforce matches the North American corporate generational workforce of boom, bust and echo. The baby boomer bubble is moving towards typical retirement age. In fact, at SaskPower approximately 34% of employees are age 50 or older while only 15% are under the age of 30. Overall, 56% of our workforce is eligible to retire in the next 10 years, while 33% of our workforce is likely to retire in the decade.

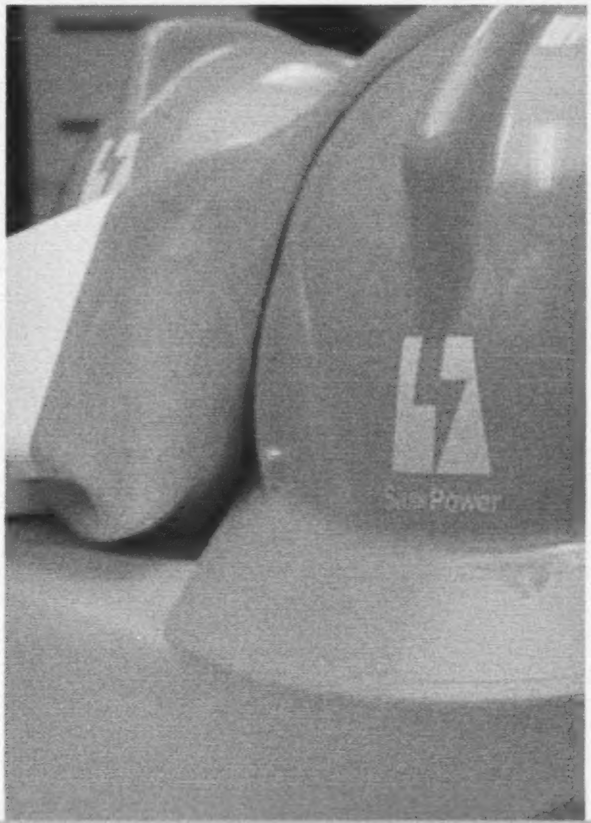
In 2014, SaskPower developed a new Five-Year Workforce Plan that focuses on recruitment and sourcing; employee growth and development; knowledge management; succession planning; and diversity. It is designed to help our company to deal with issues of shifting demographics, an aging workforce, uncertain economic conditions and skill gaps.

SaskPower is continuing to enhance its corporate-wide plan for learning, which includes development of new training programs, continued succession planning, and maintaining close relationships with both secondary and post-secondary schools. Meanwhile, mentorship and apprenticeship programs are being expanded to help ensure the availability of skilled employees such as industrial mechanics, electricians and power line technicians.

During the year, our company moved its new culture initiative forward by holding focus groups with employees from all levels across the province. Again and again, they noted that SaskPower's ideal culture emerges most during crisis situations. The conclusion was that the behaviours exhibited during a crisis need to be infused into daily work. Eight of those behaviours have been identified as essential, and are being rolled out to employees:

1. **I work smartly and efficiently.**
2. **I am safety and customer focused.**
3. **I am respectful, open-minded and supportive.**
4. **I offer solutions to problems with the intention of making things better.**
5. **I work in support of SaskPower's priorities.**
6. **I am reliable.**
7. **I create an environment where people can speak up.**
8. **I contribute to and recognize the contributions and achievements of others.**

As part of Canada's Top 100 Employers project, in 2014 SaskPower was named one of Canada's Top Employers for Young People, one of Canada's Best Diversity Employers and one of Saskatchewan's Top Employers.



Corporate Balanced Scorecard performance measure
M4. EMPLOYEE ENGAGEMENT SCORE (INDEX — SIX-POINT SCALE) (RETIRING)

	2013	2014	2015	2016	2017
Target	•	2.5	•	•	•
Actual	•	1.4			

• Denotes that actuals or targets were not available or reported for that time period. Measure will be retired beginning in 2015.

Our company wants to ensure it has engaged employees that create an environment conducive to the continuous improvement of productivity. Employees with a high level of engagement generally say positive things about their company, want to stay at their company and strive to do their best work so their company succeeds. The score incorporates all three drivers of engagement — say, stay and strive — as measured through an engagement survey as well as employee retention and productivity data. A low score indicates a better level of engagement.

In 2014, SaskPower resumed formal surveying and achieved a result of 1.4, which meant that the level of engagement exceeded the target. Those who responded attributed their engagement to SaskPower's commitment to work-life balance, safety and diversity, as well as supervisors who are open to new ideas.

Corporate Balanced Scorecard performance measure
M4. EMPLOYEE ENGAGEMENT (%) (NEW FOR 2015)

	2013	2014	2015	2016	2017
Target	•	•	58	60	62
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

In 2015, this metric will replace the Employee Engagement Score. This will allow for a shift from reporting an index result to reporting a percentage of employees that are considered engaged.

SAFETY

Safety is SaskPower's number one priority. This includes employee, contractor and public safety. In order to minimize risks, our company has an Occupational Health and Safety Assessment Series (OHSAS) 18001-registered Safety Management System (SMS). Through the use of integrated policy, procedures, training, education, and reporting, the SMS has helped improve safety practices and reduce work-related injuries significantly since it was implemented. Internal and external SMS audits are held each year to monitor for compliance and ensure it is being used and maintained effectively.

When it comes to the public, SaskPower has established a comprehensive education program that is largely driven by hazards identified as high risk. Farming and construction industries are areas of top priority, as well as contractors working on or near our facilities.

In 2014, a more holistic approach was taken toward safety communications. Although the primary targets of messaging were still those who work around power lines (primarily farm and construction workers), communication was also targeted to include the family and friends of those audiences. The intent was to ensure as much reach and resonance as possible — encouraging people to share SaskPower's electricity safety message with all those they know who work around power lines.

Despite our efforts and ongoing commitment, our company experienced significant setbacks in its safety performance in 2014. In addition to incidents involving newly installed residential smart meters, a fatal accident occurred during the repair of a high-voltage transmission line near Wakaw. This tragedy marked the first employee death since 2001. The Government of Saskatchewan Ministry of Labour Relations and Workplace Safety as well as SaskPower Safety Officers are conducting an investigation.

Corporate Balanced Scorecard performance measure

M5. SAFETY INDEX

	2013	2014	2015	2016	2017
Target	1.5	1.3	1.1	1.0	1.0
Actual	1.4	4.0			

The Safety Index is comprised of leading and lagging indicators. A lower score indicates better performance. Leading indicators measure proactive activities that identify hazards and assess, eliminate, minimize and control risks. They evaluate the effectiveness of safety programs and the activities that contribute to the prevention of incidents before they occur. The leading indicators include safety objectives, safety audits, work observations and investigated lost-time injury incidents. Lagging indicators measure the occurrence of safety incidents, including lost-time injury frequency, lost-time injury severity, recordable injury frequency and recordable licensed fleet motor vehicle incident frequency.

In 2014, SaskPower experienced an employee fatality when an individual was working on a high-voltage transmission line. Due to the incident, SaskPower assigned a metric result of 4.0, the lowest Safety Index score possible.

STRATEGIC PRIORITY #3 STAKEHOLDER RELATIONS

SaskPower recognizes the importance of creating effective dialogue with all our stakeholders, including customers, communities, businesses, landowners, Aboriginal groups, municipalities, regulators and government agencies. Effective two-way communication is essential in obtaining regulatory approval and achieving social licence in order to construct new infrastructure or upgrade existing facilities.

SaskPower's consultation programs typically include early contact with local officials; delivery of project presentations; distribution of detailed project information; open house information sessions; meetings with individuals and interest groups; media releases; advertisements; and direct correspondence and discussion. In 2014, stakeholders were engaged on a variety of infrastructure projects, including the Saskatoon Area Reinforcement; Pasqua to Swift Current Transmission Line; Bromhead Area Reinforcement; K+S Transmission Line; Superb Area Reinforcement; Golden Lake to Edam Transmission Line; Albert Park Substation capacity increase; and Boundary Dam Reservoir Safety Project.

Additionally, stakeholder consultations continued in Swift Current regarding potential sites for a new natural gas generation project. Consultations were also ongoing with Aboriginal communities on the I1K Transmission Line; Trapper Compensation Program; Stanley Mission Reclamation Project; Northern Fibre Project; and a potential hydroelectricity project in Saskatchewan's North.

During the year, we launched our *Power to Grow* public outreach tour — an interactive and engaging way for our customers to learn about the province's electrical infrastructure challenge and the need to invest in our power system. The tour visited 118 communities throughout the province and reached nearly 27,000 people.

86%

POWER TO GROW TOUR PARTICIPANTS THAT BELIEVE SASKATCHEWAN IS FACING AN ELECTRICITY INFRASTRUCTURE CHALLENGE

Power to Grow has been an extremely effective way of raising awareness, with 86% of participants in agreement that we are facing a power infrastructure challenge and nearly two-thirds acknowledging that prior to the experience, they were unaware that there was a challenge. The tour will continue to make stops at schools and community events throughout Saskatchewan beginning again in spring of 2015.

ABORIGINAL RELATIONS

Saskatchewan's First Nations and Métis communities are key SaskPower stakeholders. This is reflected in our company's comprehensive Aboriginal Relations Strategy, which provides a framework to build positive long-term relationships with Aboriginal communities and to enable the achievement of specific business objectives for our company. It supports Aboriginal economic development activities in Saskatchewan and promotes clear and open communication in response to social, economic and environmental issues that are of mutual concern.

SaskPower is working closely with Aboriginal communities out of respect for Aboriginal people and culture, and because their input is an integral component of successful project development, operation and mitigation of impacts. Our company is committed to informing and consulting with Aboriginal people and communities at an early stage with respect to planned activities and projects, and we are incorporating traditional knowledge and community input along the way.

The formation of business partnerships is one way in which SaskPower and Aboriginal people, communities and businesses are mutually benefiting from electricity-related projects and operations in Saskatchewan. SaskPower is also focused on providing employment, contracting, and other opportunities for Aboriginal people, businesses and communities. In Saskatchewan, the Aboriginal population is one of the fastest growing segments in our province, and will represent an important source of future employment for not only SaskPower, but for all of Saskatchewan.

In 2014, the Canadian Council for Aboriginal Business awarded SaskPower with Progressive Aboriginal Relations (PAR) silver status, the association's second-highest certification for businesses. Nationally, silver status was awarded to only three other companies during the year. PAR examines four areas as its performance criteria: business development, employment, community investment and community engagement.

In 2015, SaskPower will transition its Aboriginal Relations area to an operational model. As a result, the department will not only continue to help the company advance key Aboriginal strategic initiatives identified in the strategic framework, but will continue to advance efforts regarding resolution to outstanding historical issues. During the year, our company will continue its Aboriginal Outreach Program to strengthen existing relationships and build new connections with Aboriginal people as potential employees, customers, suppliers, contractors and partners in large business ventures.

Activities will also include:

- Continuing to implement a five-year relationship and investment strategy with the northern village of Sandy Bay;
- Continuing efforts to advance power generation projects through the First Nations Power Authority and First Nations Opportunity Agreements;
- Supporting Aboriginal community engagement activities for the E.B. Campbell and Nipawin Hydroelectric Stations relicensing process; and
- Continuing efforts to increase Aboriginal business participation in supply chain activities.

COMMUNITY

SaskPower has begun to use a new Community Investment Policy to more closely align its sponsorships to SaskPower's strategic priorities. The new policy is focused on educational programming within three areas: workforce excellence (building our next generation of employees), safety (keeping our customers safe around electricity), and conservation and efficiency (creating a community of customers who find ways to save power and protect the environment). In 2014, our company invested over $1.5 million in Saskatchewan communities.

Youth remains one of SaskPower's key target audiences, especially when it comes to conserving electricity. SaskPower has sponsored the Saskatchewan Environmental Society's (SES) Destination Conservation Saskatchewan program for approximately 13 years. SES has delivered conservation messaging to over 200 schools throughout Saskatchewan, focusing on energy, water and waste conservation. In 2014, SaskPower piloted a trial program in Regina, which was delivered by six SaskPower employees trained by SES, to students in classes ranging from kindergarten to grade 12. We hope to expand this program throughout the province, providing employees the chance to speak directly with students about sustainable ways to manage their energy use.

During the year, SaskPower and the Prairie South School Division announced a new partnership to provide high school students with the skills they need to pursue careers in power engineering earlier than ever. Our goal is to provide the program to all Prairie South School Division students in 2015 and potentially to all Saskatchewan schools in 2016. In the meantime, SaskPower has also established a Research Chair in Power Systems Engineering at the University of Saskatchewan. Dr. Tony Chung in the College of Engineering was named the inaugural Chair.

In 2014, SaskPower employees continued to be involved in their local communities. They logged over 3,900 hours of volunteer time and, on their behalf, SaskPower donated over $16,000. Employees from across the province also raised more than $391,000 for the United Way (including SaskPower's matching donation), while Canadian Blood Services named our company one of six Partners for Life at the national *Honouring Our Lifeblood* ceremony in Ottawa.

Corporate Balanced Scorecard performance measure

M6. CORPORATE REPUTATION INDEX (10-POINT SCALE)

	2013	2014	2015	2016	2017
Target	7.3	7.2	7.3	7.4	7.5
Actual	7.1	6.8			

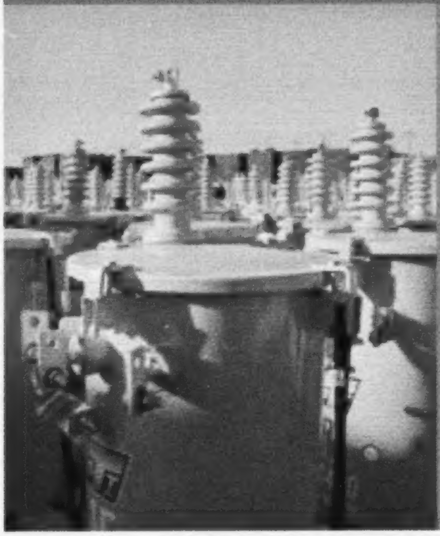
The Corporate Reputation Index is derived from an annual customer survey sent to key stakeholders and is measured on a 10-point scale. It evaluates SaskPower's reputation with respect to the areas of trust, transparency, commitment to meeting expectations, satisfaction and stakeholder input response. A higher score indicates better performance.

SaskPower fell short of its Corporate Reputation Index target of 7.2 due to a decline in three of five categories: trust, transparency and response to stakeholder input. These declines are attributed to the perception among stakeholders that SaskPower's rates are too high and have been increasing.

CORE STRATEGY:

FINANCIAL

PERFORMANCE



STRATEGIC PRIORITY

1. PROCESS EFFICIENCY AND COST MANAGEMENT

SaskPower's aim is to continue providing competitive rates in the face of an unprecedented period of infrastructure renewal and growth. We recognize our role in supporting business and quality of life, and believe we have a responsibility to carefully and prudently manage the company's finances. Our company is committed to keeping growth in operating, maintenance and administrative (OM&A) costs less than the corresponding growth in assets.

STRATEGIC PRIORITY #1 PROCESS EFFICIENCY AND COST MANAGEMENT

Expenditures related to load growth and aging infrastructure are driving increased demand for capital resources across our generation, transmission and distribution system. Like most other North American electric utilities, SaskPower has begun a significant program of reinvestment — capital expenditures are expected to average $1 billion per year over the long term. This estimate does not include the financial commitment required to accommodate the acquisition of additional capacity through finance lease agreements with IPPs.

$1 BILLION

AMOUNT PER YEAR EXPECTED TO BE INVESTED IN SASKATCHEWAN'S ELECTRICITY INFRASTRUCTURE

As SaskPower debt continues to grow, greater scrutiny is being placed on our company's capital budget. It is essential to execute effective prioritization to meet the needs of growing demand and renew an aging system while:

- Managing costs;
- Keeping our debt level within the target range;
- Maintaining acceptable reliability and power quality levels; and
- Demonstrating rate competitiveness.

Our company will continue to balance the need for fiscal restraint while also investing in our province's electricity system. SaskPower will need to rely on effective cost management and increasing efficiencies while we work to meet a variety of challenges, including:

- Higher costs to maintain and repair aging equipment;
- Higher capital costs as generation, transmission and distribution infrastructure is refurbished or added;
- An increased debt ratio due to increased capital investment;
- Increased costs related to the pursuit of clean energy; and
- Potentially volatile fuel costs, especially for natural gas, which can significantly impact net income.

Corporate Balanced Scorecard performance measure
M7. RETURN ON EQUITY (OPERATING/NET INCOME) (%)

	2013	2014	2015	2016	2017
Target	6.4	1.3	3.7	0.9	2.7
Actual	8.2/5.6	2.0/2.7			

Return on equity (ROE) is a measure of income expressed as a percentage of total equity. Operating ROE is calculated using income before unrealized market value adjustments. From 2014 through 2017, our company has set reduced ROE targets to allow for SaskPower's continued investment in infrastructure renewal and growth, while also assisting our company to maintain competitive rates. SaskPower has a long-term target of 8.5%, which reflects a rate of return common to other Canadian electrical utilities.

SaskPower exceeded its 2014 ROE target due to a variety of factors, including increased sales due to cold weather as well as lower than planned finance and depreciation charges. The income results are explained in further detail in the financial results section of the MD&A.

Corporate Balanced Scorecard performance measure
M8. PER CENT DEBT RATIO (%)

	2013	2014	2015	2016	2017
Target	71.3	74.6	74.4	76.5	77.3
Actual	69.8	73.1			

Per cent debt ratio provides a measure of debt expressed as a percentage of the total corporate financing structure. As we modernize and expand infrastructure, debt levels will increase in order to finance our capital program. SaskPower's long-term debt ratio target is between 60–75%. In 2016, debt targets are expected to exceed this limit as our company has chosen to accept a higher level of debt in order to keep rate increases to a minimum.

In 2014, SaskPower was slightly under its debt ratio target. This was largely due to higher than expected operating earnings.

BUSINESS RENEWAL AND PROCESS IMPROVEMENT

In response to the Saskatchewan Rate Review Panel's recommendations as part of our 2009 application, SaskPower initiated the Business Renewal Program to increase effectiveness and improve performance. As part of the initiative, our company is identifying a continuous flow of savings opportunities through performance assessment and benchmarking; planning and implementing improvement initiatives; and measuring and reporting on our progress.

$368 MILLION
GROSS BENEFITS REALIZED SINCE 2009 FROM SASKPOWER'S BUSINESS RENEWAL PROGRAM

The Business Renewal Program is a long-term program and covers a large number of areas within SaskPower. It is creating results in all expense categories, including: OM&A; finance charges; capital spending; and fuel and purchased power. To the end of 2014, SaskPower has realized gross benefits of more than $368 million. Multi-year initiatives that have contributed to the gross savings include:

- Shifting a portion of borrowing to the short term to take advantage of low floating interest rates;
- Extending the run time between power plant overhauls;
- Optimizing purchasing arrangements to provide cost savings;

- Reducing information technology costs through a number of initiatives, such as implementing a new sourcing strategy, reducing the number of printers, outsourcing the service desk, and introducing improvements to the service request process;
- Creating customer connect process improvements, including the redesign of customer connect quoting and construction work processes that have led to the introduction of standardized quick quotes, new expediter roles, and improved crew efficiencies;
- Lowering office costs by standardizing designs and reducing workspace areas;
- Outsourcing Head Office caretaking activities through attrition; and
- Increasing productivity by using automated work scheduling and dispatching tools as a result of the recent completion of the Schedule and Dispatch Project.

SaskPower pursued other new efficiency initiatives in 2014, including an employee invention that makes it possible to install a gas monitor on a power transformer without having to drain its oil. Previously, installation required a crew of five employees and took two days to complete. With the use of this invention, one employee can install a gas monitor in two to four hours. Another efficiency initiative is collaboration with SaskTel to share existing fibre optic networks. This is assisting with the avoidance of duplication of fibre throughout the province, resulting in lower capital expenditures.

28 REDUCTION OF FIELD FACILITIES EXPECTED THROUGH THE PROVINCIAL PROPERTIES STRATEGY

While the Business Renewal Program initially focused on independent consultant recommendations, it has since evolved into a continuous improvement program that creates new initiatives as we complete existing activities. This new emphasis is being supported by the building of internal SaskPower capacity in performance benchmarking, as well as business process and benefits realization management. As well, our company is continuing to grow in our ability to measure and forecast program benefits.

Among the new Business Renewal Program initiatives our company is pursuing is one related to distribution materials management. It will optimize the flow of materials and reduce capital tied up in on-hand inventory. Meanwhile, progress has also been made in optimizing transmission and distribution capital sustainment plans and our company expects to capture these benefits in the upcoming year. The Strategic Sourcing and Transformation Project is moving to the implementation stage as well.

PROPERTIES AND PROCUREMENT

SaskPower is continuing to focus on the execution of our company's Provincial Properties Strategy. It includes amalgamating facilities into strategic locations throughout the province. As facilities are consolidated, our company will follow its Surplus Property Plan to terminate leases, complete environmental clean up and sell surplus property. Amalgamation of the field facilities will reduce the number of locations from 80 down to approximately 52.

During 2014, the retrofit of the new Swift Current Maintenance Centre was completed as planned. The existing Swift Current site will be subdivided in preparation for contamination clean-up and sale. Construction of the new Saskatoon Logistics Facility, on the same site as the Saskatoon Maintenance Centre, is also complete.

Corporate Balanced Scorecard performance measure

M9 OM&A/PROPERTY, PLANT AND EQUIPMENT (%)

	2013	2014	2015	2016	2017
Target	•	7.6	7.0	6.8	6.7
Actual	•	7.7			

• Denotes that actuals or targets were not available or reported for that time period.

Asset management offers SaskPower a way to systematically coordinate activities and practices so that we can optimally manage our assets and their performance. This requires our company to focus on the full life cycle of assets and look for opportunities to reduce capital and maintenance expenditures while improving overall performance.

The OM&A as a percentage of property, plant and equipment (including intangible assets) metric illustrates whether or not SaskPower's asset management program is achieving results. A lower ratio represents more efficient company operations. For 2014, SaskPower was slightly above target, as OM&A spending was over budget by 2.3%.

Another component of the Provincial Properties Strategy includes the Regina Properties Strategy, which will consolidate 27 facilities into four locations: Head Office, Gas and Electrical Inspections, the System Control Centre and the proposed Logistics Warehouse Complex.

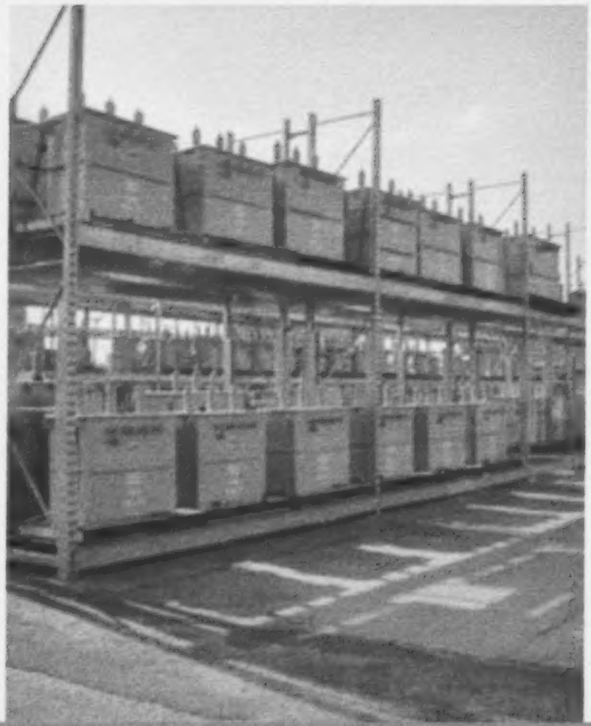
Improvement of procurement practices remains a key priority. This includes the development of long-term strategic sourcing partnerships and enhanced supplier relationship management while balancing the goals of flexibility, transparency, and fairness. There is also a stronger focus on business value rather than just cost. More emphasis is being put on educating suppliers about SaskPower's procurement needs and processes to make it easier to do business with our company, as well as helping to promote the development of an Aboriginal footprint within the vendor community.

$2.5 BILLION

CONTRIBUTION TO SASKATCHEWAN'S ECONOMY

SaskPower has outlined a new centralized process for monitoring supplier performance. The intention is to collect evaluations to determine which suppliers consistently perform at a high standard while identifying poor performing suppliers in procurement decisions. This will help SaskPower be more proactive in contract administration while enhancing our relationships with suppliers and helping poor performers to improve.

In 2014, SaskPower contributed over $2.5 billion to the provincial economy. This occurred through the procurement of goods and services from Saskatchewan suppliers; payment of salaries, wages and benefits to employees; purchase of coal and natural gas; and acquisition of electricity from IPPs. Our company's contributions also included grants-in-lieu of taxes payable to local governments, as well as coal royalties, water rentals and provincial corporate capital tax payable directly to the Government of Saskatchewan.



Corporate Balanced Scorecard performance measure
M10. COMPETITIVE VERSUS SINGLE SOURCE PROCUREMENT (%)

	2013	2014	2015	2016	2017
Target	65	75	85	85	85
Actual	88	91			

The competitive versus single source procurement metric demonstrates the extent to which SaskPower uses competitive procurement (multiple bids solicited) as opposed to single source procurement. This measurement aims to promote the reduction of single source procurement as much as possible.

SaskPower achieved 91% in 2014, which indicates that our company's procurement is competitive. However, there are a few exceptions in areas requiring specialized technologies, such as carbon capture.

Corporate Balanced Scorecard performance measure
M11. RATES – THERMAL UTILITIES COMPARISON (%)

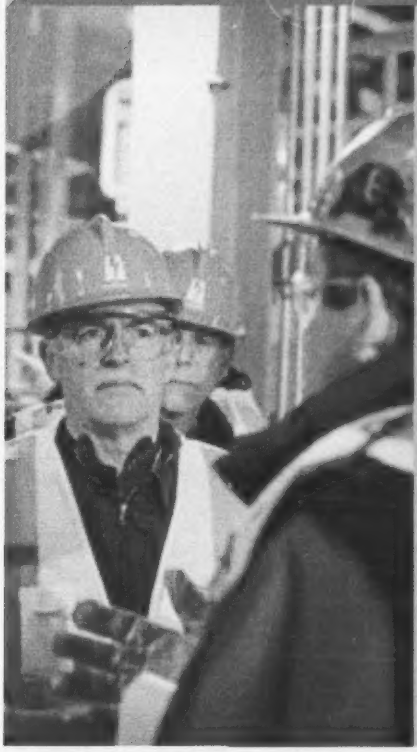
	2013	2014	2015	2016	2017
Target	≤100	≤100	≤100	≤100	≤100
Actual	82	91			

Our company has a target of ensuring SaskPower's rates for typical residential, commercial and industrial customers are less than or equal to the system average rates for customers served by utilities dependent on thermal generation (using coal, natural gas, or oil).

An annual Hydro-Québec national rate survey provides a comparison of utilities across all customer classes. Results continue to demonstrate that our company remains competitive with thermal industry peers in Canada.

CORE STRATEGY: PROGRESSIVE

STEWARDSHIP



STRATEGIC PRIORITIES

1. INFRASTRUCTURE MANAGEMENT, RENEWAL AND GROWTH
2. SUPPLY MIX DIVERSIFICATION
3. ENVIRONMENTAL STEWARDSHIP
4. TECHNOLOGY ENABLEMENT

Successfully meeting our mission to provide reliable, affordable and sustainable power for our customers means securing the present and future supply of electricity while addressing environmental responsibilities. As we develop new capacity, our company is also maintaining and upgrading existing generation, transmission and distribution infrastructure to ensure reliability.

STRATEGIC PRIORITY #1 INFRASTRUCTURE MANAGEMENT, RENEWAL AND GROWTH

Since 2010, every year has been record-setting for electricity supply and peak demand in Saskatchewan. In 2014, a new peak load of 3,561 MW was recorded and in early 2015 another record peak of 3,628 MW was set.

In addition to a steadily increasing demand for electricity in our province, SaskPower is facing two primary challenges as our company prepares to meet future electricity needs while maintaining competitive rates: aging infrastructure and climate change.

Because much of our company's grid was built between 1960 and 1985, over the next 40 years we'll need to replace, refurbish or expand most of our generation fleet as well as our transmission and distribution system. Meanwhile, new federal carbon dioxide (CO_2) emission regulations have eliminated conventional coal-fired power generation — the long-time foundation of our system — as a future supply option.

Our company has a comprehensive action plan in place to meet Saskatchewan's electricity needs. Through a multi-year, multi-billion dollar commitment, our strategy also includes the renewal and expansion of the province's electricity system. Either in partnership with IPPs or through internal projects, we are adding low- or non-emitting forms of generation such as biomass, coal with carbon capture and storage (CCS), natural gas, flare gas and wind. Looking decades ahead, we are continuing to examine a variety of low-carbon options that include: biomass, coal with CCS retrofits, cogeneration, geothermal, hydro, imports, natural gas, flare gas, solar and wind.

In addition to providing opportunities for customer self-generation, we are also offering an increasing variety of Demand Side Management (DSM) initiatives to customers that focus on energy efficiency, conservation and load management.

CARBON CAPTURE AND STORAGE

Coal is a non-renewable energy source that generates approximately 40% of the world's electricity. In Saskatchewan, 44% of the electricity generated in 2014 used coal as a fuel source. It is a secure and plentiful fuel, and is more economical than any other baseload fossil fuel sources. Meanwhile, the technology behind coal-fired generating plants, which operate around the clock, is well-developed and extremely reliable.

However, in response to concerns over climate change there are new federal regulations concerning CO_2 that have eliminated conventional coal-fired generation in Canada as an option for the future. As our company continues to modernize and grow our aging power infrastructure, we are examining a wide range of generating options that can ensure a reliable, secure and affordable supply of electricity for our customers.

In response, in 2014 we completed the Boundary Dam Integrated Carbon Capture and Storage (CCS) Demonstration Project. It is the world's first commercially viable large-scale carbon capture and storage project at a coal-fired power station. When fully optimized, the project will produce 110 MW of baseload electricity at Boundary Dam Power Station Unit #3 and will reduce greenhouse gas (GHG) emissions by one million tonnes of CO_2 each year.

1 MILLION

TONNES OF CO_2 EXPECTED TO BE CAPTURED EVERY YEAR AT THE NEW BOUNDARY DAM INTEGRATED CCS DEMONSTRATION PROJECT

The addition of carbon capture and storage represents the largest environmental upgrade ever for a coal-fired power station in Canada. The captured CO_2 is transported by pipeline to nearby oil fields in southern Saskatchewan where it is used for enhanced oil recovery (EOR). CO_2 not used for EOR will be stored in SaskPower's Carbon Storage and Research Centre Aquistore Project, an independent research and monitoring initiative. It is administered by the Petroleum Technology Research Centre, which plans to demonstrate that storing CO_2 deep underground is a safe, workable solution to reduce GHG emissions. The geological storage of CO_2 is taking place 3.4 kilometres deep in a layer of brine-filled sandstone called the Deadwood Formation.

In addition to using CO_2 for EOR and research, there are opportunities for the sale of other by-products from the Boundary Dam project. All sulphur dioxide will be captured, converted to sulphuric acid and sold for industrial use. Meanwhile, fly ash, a by-product of coal combustion, is also being sold for use in ready-mix concrete and for other applications.

100%

REDUCTION OF SULPHUR DIOXIDE EMISSIONS AT THE NEW BOUNDARY DAM INTEGRATED CCS DEMONSTRATION PROJECT

In 2015, optimization of the project will continue and our company will begin to evaluate the potential for conversion of Boundary Dam Power Station Units #4 and #5 to CCS. SaskPower is also expected to complete construction of the Shand Carbon Capture Test Facility (CCTF) during the year.

Located at our company's coal-fired Shand Power Station near Estevan, the Shand CCTF will provide technology developers with an opportunity to test new and emerging carbon capture systems for controlling carbon emissions. Created in collaboration with Hitachi, Ltd., the facility is designed to provide a robust evaluation of the collection efficiency, long-term stability, operability, maintainability and reliability of amine-based, post-combustion technologies.

During 2014, SaskPower hosted its second CCS Symposium. It included a two-day conference featuring global experts who spoke to the evolutionary state and future of CCS, as well as a tour of the newly opened Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. Invited delegates were part of a group of global energy and sustainability stakeholders from industry, government, multinational development institutions and non-governmental organizations.

SYSTEM SUSTAINMENT AND GROWTH

When it comes to system sustainment, effective asset management is central to optimizing performance. With an aging infrastructure, SaskPower is faced with many significant challenges. These include constrained budgets to contain rate pressures, increasing regulatory requirements, steady electrical load growth in Saskatchewan, and increased stakeholder and customer expectations.

A reliable generation fleet is essential for fulfilling SaskPower's mission. Unplanned generation disruption will cause increased fuel and operating costs, while also increasing the risk of loss of electrical service to customers. Significant capital was invested in SaskPower's generation fleet over the past two decades, resulting in improvement in reliability and performance. In order to maintain generation performance, initiatives include the development of core in-house staff competencies in critical areas of turbine, generator, boiler, excitation and control systems. Our company is also entering into longer-term support and maintenance contracts for critical needs.

Similar to other Canadian utilities, our company's transmission and distribution system performance has been trending down over the past decade. This is primarily due to aging infrastructure, as well as the loss of retiring experienced employees. In order to reverse this trend, initiatives include an expansion of construction and maintenance standards, an increase of operating limits on several transmission lines, and expanded use of infrared monitoring to assess connections, splices and switches or hot spots. Meanwhile, SaskPower will continue to focus on the highest risk assets, with an emphasis on completing maintenance work and capital sustainment programs.

70%

AMOUNT OF SASKPOWER'S MORE THAN ONE MILLION DISTRIBUTION POLES INSTALLED PRIOR TO 1990

A more proactive and centralized vegetation management program will also help to reduce outages by addressing issues before they become problematic, such as tree contacts with lines. More patrolling, and an emphasis on tree removal rather than pruning, will contribute to reduced costs and outages.

SaskPower's distribution infrastructure is aging significantly. Approximately 70% of SaskPower's more than one million distribution poles were installed prior to 1990, with a mean age of 38. The industry standard average age is 25 years. Pole maintenance is essential to maintaining the distribution system, and in 2015 SaskPower will transition to a paste and paper wrap for below ground external treatments. This new method is expected to cut costs by 22% and provide better preservative penetration while reducing environmental impacts. In total, SaskPower spent $53 million on distribution capacity increases and $37 million on distribution sustainment in 2014.

In the meantime, our company is beginning to work toward climate change adaptation by improving system resiliency to plan for impacts related to extreme weather events. This includes strengthening assets, initiating design changes for vulnerable assets and creating response strategies.

SaskPower saw significant progress on major infrastructure projects in 2014, including the completion of $239 million of work on transmission capacity increases and $24 million of work on transmission infrastructure sustainment projects. Construction of the Saskatoon Area Reinforcement Project continued, which included two new switching stations located north and east of the city.

In Saskatchewan's North, the I1K Transmission Line between Island Falls and Key Lake will be delivered in two sections. The northern section is approximately 175 km long and runs from Key Lake to Lindsay Lake. All material delivery, tower assembly and setting have been completed, while work remains on conductor stringing. The southern section, from Lindsay Lake to Island Falls, is 125 km long. Vegetation clearing is complete, and more than half the foundations have been installed. The overall project is expected to be completed by the end of 2015.

During the year, SaskPower spent $409 million on generation infrastructure projects. These included the Queen Elizabeth Power Station expansion; Poplar River Power Station Morrison Dam spillway project; Boundary Dam Power Station Unit #4, Unit #5 and Unit #6 overhauls; Landis Power Station life extension; and Northern Hydro control system upgrades, dam rehabilitation and dike work.

Corporate Balanced Scorecard performance measure

M12. PREVENTABLE OUTAGES (DISTRIBUTION + TRANSMISSION) (RETIRING)

	2013	2014	2015	2016	2017
Target	63.0	61.1	•	•	•
Actual	58.3	68.4			

• Measure will be retired beginning in 2015.

The preventable outages measure calculates the number of preventable distribution and transmission outages per 1,000 kilometres of lines. Preventable outages take place as a result of planned outages, internal incidents, faulty equipment and overload, as well as contact with trees, birds and other animals. Mitigating activities include effective vegetation management, pole maintenance, quality line patrols and repair, and wildlife protection.

SaskPower's preventable outage performance fell short of target in 2014. The volume of preventable outages was significantly higher during spring and summer months due to causes such as vegetation, tree contacts and birds/animals.

Corporate Balanced Scorecard performance measure

M12. PREVENTABLE OUTAGES (DISTRIBUTION) (NEW FOR 2015)

	2013	2014	2015	2016	2017
Target	•	•	100.0	100.0	100.0
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

In 2015, this metric will replace the Preventable Outages (distribution and transmission) measure. This will allow for a shift to reporting only preventable distribution outages per 1,000 kilometres of lines.

Corporate Balanced Scorecard performance measure

M13. EQUIVALENT AVAILABILITY FACTOR (%)

	2013	2014	2015	2016	2017
Target	•	87.4	86.8	85.5	88.3
Actual	•	83.0			

• Denotes that actuals or targets were not available or reported for that time period.

The Equivalent Availability Factor (EAF) is a measure which represents the percentage of time that a generating unit is capable of producing electricity, adjusted for any temporary reductions in generating capability due to equipment failures, maintenance or other causes. This measure is commonly used in the utility industry and, although higher percentages are better, targets are set giving consideration to prudent equipment maintenance requirements.

SaskPower's EAF performed below target in 2014, primarily due to issues at Boundary Dam Power Station. This included the extended outage of Unit #3 due to delays with the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, an overhaul extension for Unit #4, and the deferral of an overhaul for Unit #5 from 2013 to 2014. In addition, Shand Power Station was affected by boiler maintenance and repair.

Corporate Balanced Scorecard performance measure
M14. PLANNED MAINTENANCE (DISTRIBUTION + TRANSMISSION) (%) (RETIRING)

	2013	2014	2015	2016	2017
Target	46.0	50.0	•	•	•
Actual	65.5	63.0			

• Measure will be retired beginning in 2015.

The planned maintenance metric calculates the percentage of total dollars spent on distribution and transmission infrastructure on planned maintenance.

In 2014, planned maintenance performance was significantly better than target. This was despite an increase in emergency maintenance at the end of the year due to winter storms and heavy frost.

Corporate Balanced Scorecard performance measure
M14. PLANNED MAINTENANCE (DISTRIBUTION/TRANSMISSION) (%) (NEW FOR 2015)

	2013	2014	2015	2016	2017
Target	•	•	55/80	57/80	59/80
Actual	•	•			

• Denotes that actuals or targets were not available or reported for that time period.

In 2015, this metric will replace the planned maintenance (distribution + transmission) measure. This will allow for reporting of separate distribution and transmission results.

STRATEGIC PRIORITY #2 SUPPLY MIX DIVERSIFICATION

SaskPower relies on a diverse portfolio of generation sources to meet demand. By using diverse generation technologies we are able to minimize overall corporate risk by providing a hedge against supply and fuel price volatility. We are also able to better ensure a consistently reliable, affordable and sustainable source of electricity for our customers.

200 MW

APPROXIMATE AMOUNT OF WIND POWER EXPECTED TO BE ADDED TO SASKPOWER'S SYSTEM IN THE NEXT FOUR YEARS

For decades, SaskPower's supply mix was largely made up of coal and hydro generating stations. However, during the past two decades, our supply portfolio has become much more diversified in response to rising climate change issues, tougher environmental regulations, rising capital costs, and the rapid development of wind power and other environmentally preferred technologies.

Today, SaskPower is well positioned to meet the electricity needs of the province through 2020 thanks to a comprehensive supply planning process that takes into consideration new generation; life extensions and retirements; and DSM. Our company also continues to study a range of scenarios 20 and 40 years into the future that contemplate future sources of power generation and what might work best for Saskatchewan in the face of considerable uncertainty.

We continue to evaluate a variety of mixes that include DSM and net metering, which allows customers to generate their own grid-connected power using an environmentally preferred technology. Within SaskPower's future supply mix, we will potentially make use of technologies such as: coal with carbon capture; cogeneration; geothermal; natural gas; hydro; wind; solar; flare gas; and biomass.

On a number of fronts, SaskPower is taking steps to further diversify its supply mix. In addition to further studying the potential for hydroelectricity development in our province's North, in 2015 our company will begin purchasing 25 MW of firm electricity capacity from Manitoba Hydro. A previous memorandum of understanding was also signed with Manitoba Hydro to discuss the potential of reaching as much as 500 MW imported from our predominantly hydro power producing neighbour.

1959

YEAR QUEEN ELIZABETH POWER STATION WAS COMMISSIONED

A 205-MW expansion at natural gas-fired Queen Elizabeth Power Station will also be completed during 2015. One of the major components of the project will see the "D" Plant at the natural gas facility converted from simple cycle to combined cycle. Combined cycle facilities are 10-15% more efficient. The power station was officially commissioned in 1959, and after the project is complete it will have a net capacity of 635 MW.

In 2014, we also signed a long-term coal supply agreement with Westmoreland Coal Company. It will ensure supply from the Estevan mine through 2024. During the next four years, the 177-MW Algonquin wind facility at Chaplin is expected to go into service, as is the 36-MW Meadow Lake Tribal Council biomass facility and additional flare gas and Green Options Partners Program projects.

Corporate Balanced Scorecard performance measure

M15. NON-THERMAL SUPPLY SOURCES (%)

	2013	2014	2015	2016	2017
Target	•	25.5	26.5	29.3	29.6
Actual	•	25.9			

• Denotes that actuals or targets were not available or reported for that time period.

This measure reflects the non-thermal fuel sources as a percentage of SaskPower's total installed generation capacity (including IPP-contracted capacity). Non-thermal fuel sources include hydro, wind and other environmentally preferred options.

SaskPower's non-thermal supply met the 2014 target and is comprised of the fuel sources listed above.

STRATEGIC PRIORITY #3 ENVIRONMENTAL STEWARDSHIP

Environmental accountability remains fundamentally critical to our commitment to provide SaskPower customers with sustainable power. In order to improve our environmental performance, SaskPower uses an Environmental Management System (EMS) that is registered to the globally recognized International Organization for Standardization (ISO) 14001 Standard.

SaskPower's EMS provides employees and contractors with a structure designed to help us identify, monitor and manage the impact of our business on the environment while encouraging continuous improvement. ISO 14001 registrations are maintained through annual independent EMS audits conducted at SaskPower facilities across the province. Qualified SaskPower personnel also conduct yearly internal EMS audits.

As part of our Corporate Environmental and Regulatory Management Strategy, we have centralized environmental services. Work is continuing on the restructuring of our ISO 14001-certified EMS, and integration where appropriate with our OHSAS 18001-certified Safety Management System. This decision allows for alignment with and efficiency in our company's approach to managing environmental and safety issues. Additionally, SaskPower is implementing environmental best management practices for construction and maintenance activities as well as integrated safety/environment/security processes.

SaskPower will continue with a number of initiatives in 2015 designed to improve emissions performance. This includes launching the first full year of operation of the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, completion of the Shand Carbon Capture Test Facility, as well as investigating enhanced mercury removal products and opportunities for improved electrostatic precipitator performance to capture particulates.

SaskPower operates a diverse and complex system, and one of its most significant environmental aspects to manage is the release of oil and other substances to the environment. Because our company currently has an accelerated amount of activity and significant transition in our workforce, there is a greater possibility of unintended releases to the environment.

In 2015, SaskPower will be developing a comprehensive spill prevention plan that will evaluate options for engineered controls, ensuring there are good operational procedures and training for staff so that spills can be prevented. Improved reporting will also be an emphasis in order to allow for better visibility for management to address incidents that occur.

Meanwhile, as a persistent and toxic substance, polychlorinated biphenyls (PCBs) have been identified as a substance for virtual elimination. SaskPower is implementing a PCB Action Plan to ensure the safe removal, transportation and storage of PCB equipment and oil. This plan includes clarification of regulatory requirements and an assessment of SaskPower PCB policies and procedures against those of other utilities and enhanced training and procedures. SaskPower has been working to reduce the amount of PCBs in the system over a number of years, and will continue with the removal of PCB-contaminated equipment and oil from the system.

Corporate Balanced Scorecard performance measure

M16. CARBON DIOXIDE EQUIVALENT (CO_{2E}) EMISSIONS INTENSITY (TONNES CO_{2E}/GWH)

	2013	2014	2015	2016	2017
Target	•	670	678	667	676
Actual	•	660			

• Denotes that actuals or targets were not available or reported for that time period.

The CO_{2e} emissions intensity indicator measures the amount of CO_{2e} emissions from all fossil fuel based electricity generated within Saskatchewan and exported to the grid (SaskPower and IPPs).

SaskPower's 2014 result was 660 tonnes CO_{2e} per GWh, which is slightly better performance than target due to variations in the supply mix related to several factors, including: the addition of the carbon capture facility; the retirement of Boundary Dam Power Station Unit #2; and the increased use of lower emitting sources such as natural gas and hydro.

EFFICIENCY, CONSERVATION AND LOAD MANAGEMENT

Demand Side Management (DSM) — energy efficiency, conservation and load management — is playing an important and growing role in securing Saskatchewan's electricity supply. We have launched many programs to help customers manage the amount or timing of electricity use to help eliminate, defer or reduce the need for new generation and related power line infrastructure, while realizing the associated environmental and economic benefits. Meanwhile, customers are able to experience energy and cost savings through reduced demand.

SaskPower operates a portfolio of energy efficiency and conservation programs. Education, technical support services and financial incentives are key components of our DSM strategy. It is estimated that 10-15% of DSM-related energy savings can be expected from the industrial market, 50-60% from the commercial market, 30-35% from the residential market and up to 10% from customer self-generation with renewables.

90 MW

ELECTRICITY SAVED THROUGH DSM PROGRAMS SINCE 2008

Our company continues to expand energy efficiency programming to help commercial, industrial, institutional and residential customers reduce their electricity use. SaskPower is providing education, technical support and financial incentives on more technologies and products than ever before, and in more communities.

In 2014, a key component of our residential DSM initiative was our energy efficient lighting program. SaskPower partnered with more than 250 retail outlets in 147 communities across Saskatchewan to help customers make informed purchase decisions and save money. Another area of focus was the Refrigerator/Freezer Recycling Program. We reached a milestone of 25,000 accumulated units picked up and recycled since the program formally launched in 2011.

During the year, there was also a continued focus on conservation and efficiency education in schools, retail outlets and tradeshows, as well as online and through social media. While our in-store residential education program directly helped over 8,500 customers buy energy efficient lighting products in 61 different communities during the last part of the year, the Tackle Your Power Bill Experience reached over 2,000 customers at a variety of events.

Programs for business customers, such as the Commercial Lighting Rebate Program and Industrial Energy Optimization Program, continued to support the adoption of new technologies through education on energy-efficient business practices. During the year, SaskPower received an award for its energy efficiency and conservation education efforts from the Lieutenant Governor of Saskatchewan on behalf of the Saskatchewan Regional Centre of Expertise on Education for Sustainable Development.

In 2015, our company will be developing a Low Income Program aimed at using current residential programs to reach customers that meet standard provincial low income criteria. We will also be creating an efficiency partners network, and continuing to expand outreach and educational channels to both residential and business customers.

Corporate Balanced Scorecard performance measure

M17. DEMAND SIDE MANAGEMENT INCREMENTAL SAVINGS (MEGAWATTS)

	2013	2014	2015	2016	2017
Target	17	9	10	10	10
Actual	21	13			

The DSM incremental savings indicator measures the progress being made in delivering new DSM programs. It records demand reduction in megawatts. The demand reduction will be achieved through energy efficiency, demand response, customer self generation, and system improvement programs that are designed to achieve energy and demand savings.

The DSM measure exceeded its performance target for 2014. Key contributors include the Refrigerator/Freezer Recycling Program, Lighting Discount Program, Commercial Lighting Incentive Program, Energy Performance Contracting, and the Industrial Energy Optimization Program.

[Fridge and freezer recycling for free.]
YOU CALL.
WE HAUL.

You have the power to save over $100 a year on your power bill by replacing or removing your old fridge or freezer.

Find out when we'll be in your community at
saskpower.com/efficiency

Call to book your appointment
1-877-SKRECYCLE (1-877-757-3292)

SaskPower
Powering the future®

FLY ASH

Fly ash is a by-product of burning finely pulverized coal in coal-fired power stations. It is sold for use in ready-mix concrete, mine backfill, oil well cementing, road base stabilization and liquid waste stabilization applications. Each tonne of fly ash captured and sold that replaces cement prevents roughly one tonne of CO_2 from entering the atmosphere.

In 2014, our company sold 161,524 tonnes from the Boundary Dam and Shand Power Stations.

SASKPOWER SHAND GREENHOUSE

Since 1991, SaskPower Shand Greenhouse has been using waste heat from the nearby Shand Power Station to grow millions of tree, shrub and native plant seedlings. They have been provided to the community for use in land reclamation and other environmental planting projects.

During the year, Shand Greenhouse distributed 544,595 seedlings throughout Saskatchewan, bringing total distribution since 1992 to nearly 10 million. Educating future consumers about the impacts of their energy choices is of equal importance at Shand Greenhouse. This effort is anchored by the Energy and Our Environment Program, which features classroom presentations, a poster contest, and a video contest for high school students. These initiatives — combined with greenhouse tours — resulted in an estimated 1,400 students being reached in 2014.

544,595
SASKPOWER SHAND GREENHOUSE
SEEDLINGS DISTRIBUTED

STRATEGIC PRIORITY #4 TECHNOLOGY ENABLEMENT

Technology has the potential to add significant value to our company as we explore new ways of interacting with our customers, as well as generating and delivering power. SaskPower's Information Technology Strategy has propelled us towards a business model that supports innovation. SaskPower is making investments to enable the foundational technologies required to support corporate strategic initiatives such as asset management, enhanced customer experience, human resource management, procurement and smart grid development.

Security threats are evolving at a rapid rate, and our company is implementing enhanced analytics to identify and address potential challenges. Security system upgrades (access, monitor and alarm) are being performed at SaskPower facilities to improve access control and surveillance. In 2015, our company will be implementing a Security Operations Centre so that we can improve how we monitor and respond to alarms in coordination with law enforcement.

Business intelligence tools have been introduced to enhance and optimize data management and reporting. Network improvements are connecting our field devices to the office, while mobility tools and apps are extending office capabilities to field workers. Meanwhile, SaskPower's current data centre has reached its storage capacity. As a result, we are planning to construct a new consolidated facility.

End-user enablement is one of the key focus areas in the 10-year SaskPower Strategic Technology Plan. It will change the way we interact and do business with our customers. We have completed a pilot of mobile applications that allow users to do a variety of things, from reporting street light outages to requesting tree trimming. In the future, the app will include outage notifications and customers will be able to subscribe to multiple geographic zones in Saskatchewan. SaskPower can then direct push notifications via the app onto customer mobile devices to tell them that there may be an outage in their area.

Technology is also being used in the field. SaskPower has conducted a pilot project using an unmanned aerial vehicle (UAV) to inspect switching stations and transmission lines from above. The UAV is equipped with both a digital camera and an infrared camera to check for hot spots, which may show a loss in conductor tensile strength that can lead to power outages. This technology proves especially useful to evaluate structures in hard-to-reach areas.

Corporate Balanced Scorecard performance measure

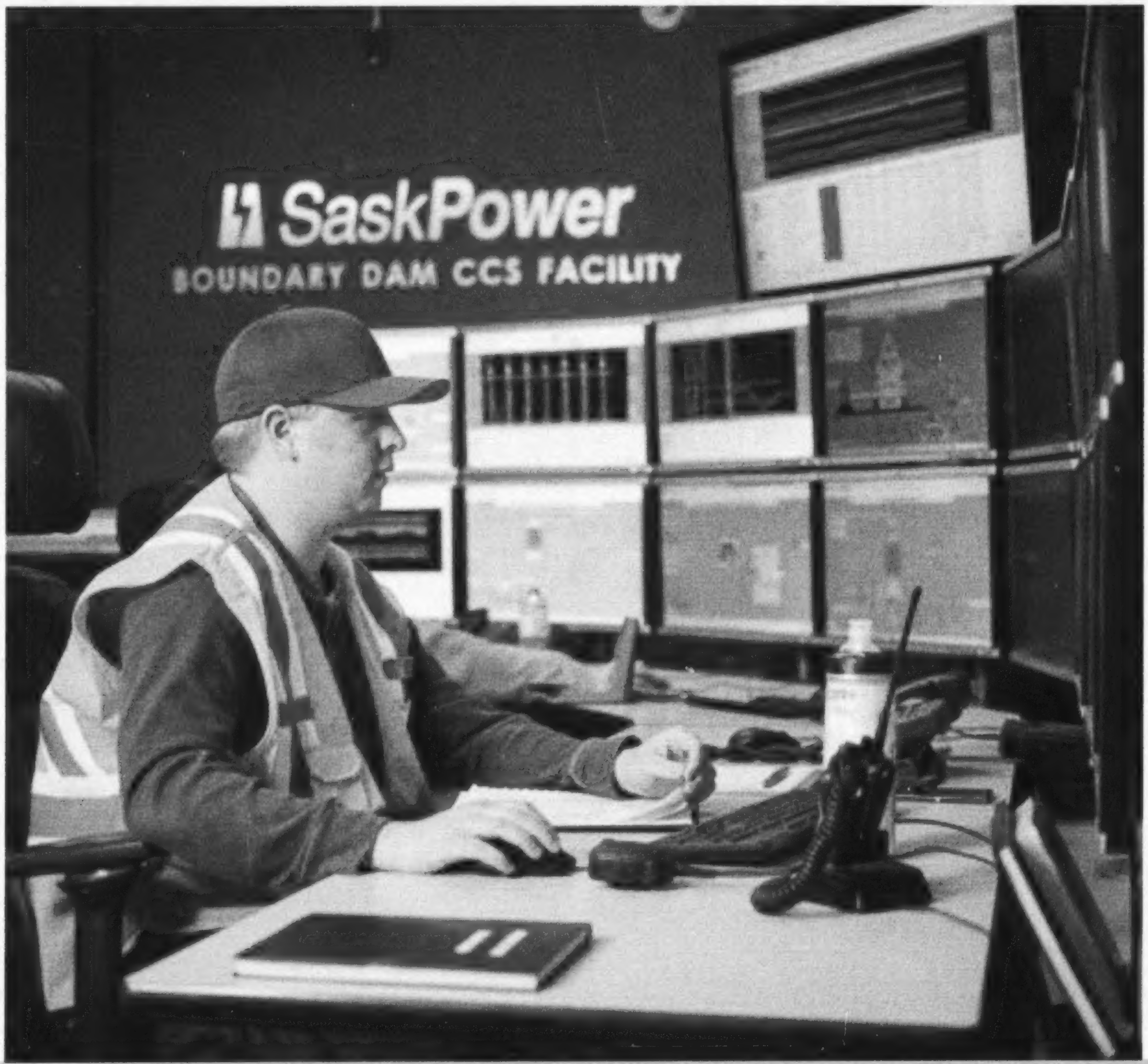
M18. INFORMATION TECHNOLOGY DEVELOPMENT SPEND (%)

	2013	2014	2015	2016	2017
Target	•	>30	>30	>30	>30
Actual	•	37			

• Denotes that actuals or targets were not available or reported for that time period.

This measure reflects the proportion of the Information Technology & Security capital and operating budget that is devoted to innovative and forward-looking initiatives, as opposed to operational spending.

SaskPower exceeded its performance target for the IT development spend in 2014. Projects included in the development spend were perimeter security, enterprise monitoring and alerting, and Electric Office (supports grid planning, design and analysis, and operations). Other initiatives include mobility programs and security analytics.



2014 FINANCIAL RESULTS

(in millions)	2014	2013	Change
Revenue			
Saskatchewan electricity sales	$ 2,043	$ 1,878	$ 165
Exports	7	62	(55)
Net (costs) sales from electricity trading	(2)	3	(5)
Share of profit from equity accounted investees	2	3	(1)
Other revenue	107	99	8
	2,157	2,045	112
Expense			
Fuel and purchased power	638	550	88
Operating, maintenance and administration	663	621	42
Depreciation and amortization	389	355	34
Finance charges	326	262	64
Taxes	59	55	4
Other losses	39	35	4
	2,114	1,878	236
Income before the following	$ 43	$ 167	$ (124)
Unrealized market value adjustments	17	(53)	70
Net income	$ 60	$ 114	$ (54)
Return on equity[1]	2.0%	8.2%	-6.2%

1. Return on equity = (income before unrealized market value adjustments)/(average equity).

The primary factors contributing to the change in income for the year ended December 31, 2014, are presented below:

Explanation of change (in millions)	Increase (decrease)
Income before unrealized market value adjustments, for the year ended December 31, 2013	$ 167
Increase in Saskatchewan electricity sales as a result of increased demand and rate increase	165
Decrease in exports	(55)
Fuel and purchased power costs up due to higher coal and natural gas prices	(88)
Increased operating costs as a result of higher maintenance costs	(42)
Capital-related expenses increase as a result of SaskPower's capital program	(106)
Other	2
Income before unrealized market value adjustments, for the year ended December 31, 2014	$ 43

HIGHLIGHTS AND SUMMARY OF RESULTS

SaskPower's consolidated income before unrealized market value adjustments was $43 million in 2014, compared to $167 million in 2013. The decrease in earnings was primarily due to rising fuel and purchased power, operating, and capital-related expenses. SaskPower's return on equity was 2.0% in 2014, down 6.2 percentage points from the previous year.

Total revenue was $2.157 billion, up $112 million from 2013. Saskatchewan electricity sales were up $165 million as a result of the system-wide average rate increase of 5.5% that became effective January 1, 2014, and a rise in sales volumes. Electricity sales volumes to Saskatchewan customers were 21,389 gigawatt hours (GWh), up 636 GWh or 3.0% compared to the prior year.

Exports, trading, and earnings from equity investments were down $61 million largely due to lower Alberta Power Pool prices which limited SaskPower's opportunities to export or trade in that jurisdiction. In addition, there was an extended outage on the Saskatchewan/Alberta interconnection as a result of ongoing maintenance which restricted exports into Alberta. This decrease in export, trading, and equity investment revenue was partially offset by an increase in other revenues as a result of increased gas and electrical inspections as well as carbon dioxide (CO_2) sales.

Total expense was $2.114 billion, up $236 million from 2013. Fuel and purchased power costs increased $88 million largely as a result of higher coal and natural gas prices. OM&A costs were up $42 million, primarily as a result of increased maintenance expense due to the number of overhauls performed at our generation facilities and the impact of severe weather in 2014.

Capital-related expenses — depreciation, finance charges, taxes and other losses — increased $106 million in 2014 as a result of SaskPower's capital program. Depreciation expense increased $34 million compared to 2013 as SaskPower invested $1.279 billion in capital in 2014. Finance charges increased $64 million compared to 2013 due to additional interest expense incurred as a result of higher borrowings and finance leases, partially offset by higher interest capitalized.

Taxes increased by $4 million as a result of growth in the Corporation's capital tax base. Finally, other losses increased $4 million mainly due to an impairment loss on Advanced Metering Infrastructure (AMI) meters during the year.

SaskPower reported $17 million of unrealized market value net gains in 2014, compared to $53 million in net losses in 2013. The unrealized market value adjustments represent the change in the market value of our company's outstanding natural gas hedges; electricity contracts; and debt retirement funds at year-end.

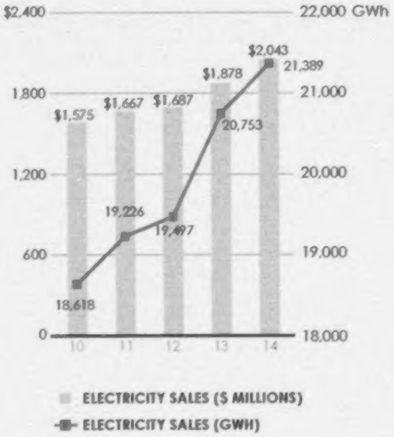
REVENUE

A. Saskatchewan electricity sales

(in millions)	2014	2013	Change
Saskatchewan electricity sales	**$ 2,043**	$ 1,878	$ 165

Saskatchewan electricity sales represent the sale of electricity to all customer classes within the province. These sales are subject to the effects of general economic conditions, number of customers, weather, and electricity rates.

Saskatchewan electricity sales were $2.043 billion, up $165 million from 2013. The increase was due to the system-wide average rate increase of 5.5% that became effective January 1, 2014, and a rise in sales volumes. Electricity sales volumes to Saskatchewan customers were 21,389 GWh, up 636 GWh or 3.0% compared to the prior year. The increase in sales volumes is attributed to a growth in all customer classes.

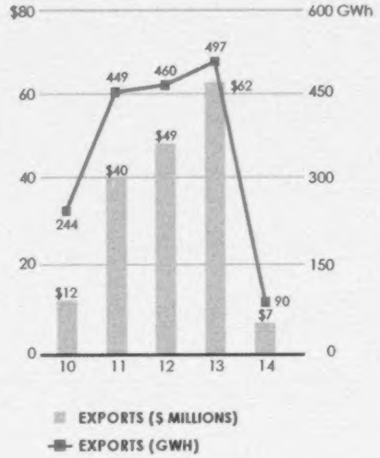


B. Exports

(in millions)	2014	2013	Change
Exports	**$ 7**	$ 62	$ (55)

Exports represent the sale of SaskPower's available generation to other regions in Canada and the United States. The bulk of our company's exports are traditionally made to the neighbouring Alberta and Midcontinent Independent System Operator (MISO) markets. Export pricing is not subject to the rate review process but is determined based on market conditions in other jurisdictions. Export sales volumes are dependent on the availability of SaskPower generation, market conditions in other jurisdictions, and transmission availability.

Exports were $7 million in 2014, down $55 million from 2013. Exports decreased significantly due to lower Alberta Power Pool prices that left SaskPower with fewer opportunities to sell into Alberta. This was coupled with an extended outage on the Saskatchewan/Alberta interconnection as a result of ongoing maintenance. As a result, the interconnection was unavailable to SaskPower for nearly half the year. The average export sales price decreased from $125/megawatt hour (MWh) in 2013 to $78/MWh in 2014. Export sales volumes also decreased 407 GWh, or 82% compared to 2013.

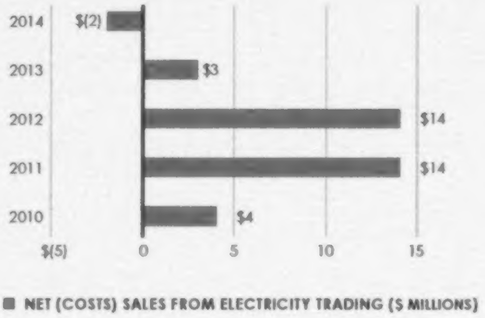


C. Net (costs) sales from electricity trading

(in millions)		2014		2013		Change
Electricity trading revenue	$	11	$	20	$	(9)
Electricity trading costs		(13)		(17)		4
Net (costs) sales from electricity trading	$	(2)	$	3	$	(5)

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions Inc., include the purchase and resale of electricity and other products in regions outside Saskatchewan. The trading activities include both real-time as well as short- to long-term physical and financial trades in the North American market. The trading activities are intended to deliver positive gross margins to SaskPower's bottom line while operating within an acceptable level of risk.

SaskPower experienced a $2 million loss on electricity trading activities in 2014 as a result of low Alberta Power Pool prices. Low pool prices prevented SaskPower from making sufficient electricity trades to offset the cost of fixed transmission rights in British Columbia that allow for trading activities.

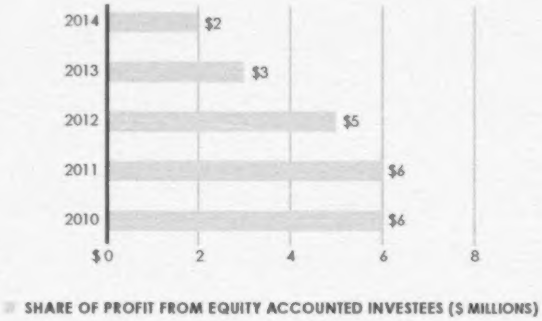


D. Share of profit from equity accounted investees

(in millions)		2014		2013		Change
Share of profit from equity accounted investees	$	2	$	3	$	(1)

SaskPower accounts for its 30% ownership in the MRM Cogeneration Station (MRM) using the equity method. MRM is a 172-MW natural gas-fired cogeneration facility located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. The electricity generated by the facility is used by the mine, with excess energy delivered to the Alberta power grid.

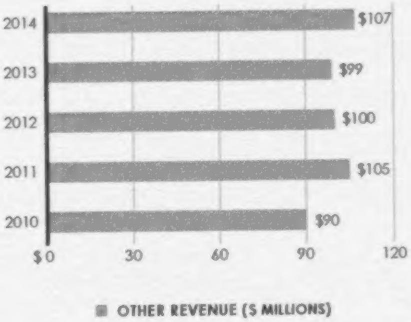
SaskPower's share of profit from its investment in MRM was $2 million in 2014, down $1 million from the prior year. This was due to lower margins on electricity sales as a result of lower Alberta Power Pool prices and higher fuel costs.



E. Other revenue

(in millions)	2014	2013	Change
Customer contributions	$ 47	$ 46	$ 1
Gas and electrical inspections	22	18	4
Fly ash sales	7	7	–
Wind power production incentives	5	5	–
Joint use charge	5	5	–
Custom work	4	5	(1)
CO_2 sales	3	–	3
Miscellaneous revenue	14	13	1
Other revenue	**$ 107**	$ 99	$ 8

Other revenue includes various non-electricity products and services. Other revenue increased $8 million to $107 million in 2014. The increase was mainly attributable to higher revenue from gas and electrical inspections as well as the introduction of CO_2 sales.



EXPENSE

A. Fuel and purchased power

(in millions)	2014	2013	Change
Fuel and purchased power	**$ 638**	$ 550	$ 88

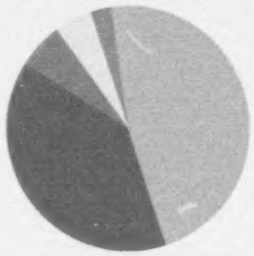
SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, costs associated with power purchase agreements (PPAs), as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve our company's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

Fuel and purchased power costs were $638 million in 2014, up $88 million from 2013. The $88 million increase is a result of unfavourable price, volume, and mix variances.

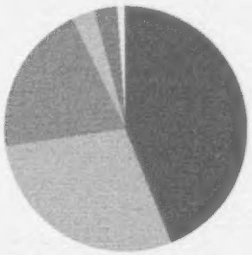
In 2014, there was an increase in fuel costs as a result of higher average contracted coal prices that were driven by changes in various price indexes. In addition, SaskPower entered into a new contract for coal delivery to Boundary Dam and Shand Power Stations. The increases in coal prices were coupled with higher costs for natural gas, with average prices for natural gas increasing by approximately $0.50 per gigajoule (GJ). Also included in fuel costs is a $12 million charge to SaskPower for a shortfall on contracted CO_2 deliveries. Overall, increases associated with coal and natural gas — as well as a CO_2 shortfall payment — resulted in an estimated $74 million rise in fuel and purchased power costs.

Total generation and purchased power was 23,424 GWh in 2014, an increase of 269 GWh or 1% compared to 2013. The increased generation was required to supply the demand growth in Saskatchewan. The higher volume of generation resulted in an estimated $7 million increase in fuel and purchased power costs.

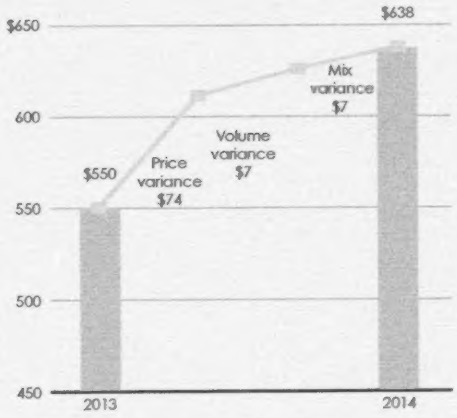
The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as coal and hydro, the more favourable the impact on fuel and purchased power costs. During 2014, the combined output of coal and hydro generation was down 370 GWh or 2.4% compared to 2013. The decreased coal and hydro generation was replaced with more expensive natural gas generation and imports. This unfavourable change in the fuel mix resulted in an estimated $7 million increase in fuel and purchased power costs.



2014 FUEL AND PURCHASED POWER – $638 MILLION



2014 GROSS ELECTRICITY SUPPLIED – 23,424 GWH



2014 FUEL AND PURCHASED POWER VARIANCE

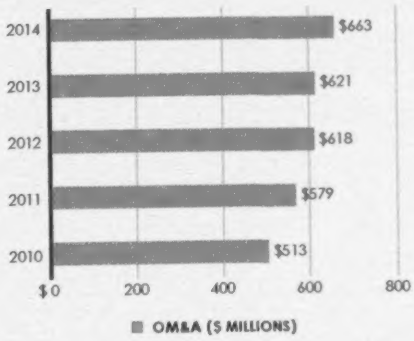
B. Operating, maintenance and administration (OM&A)

(in millions)	2014	2013	Change
OM&A	**$ 663**	$ 621	$ 42

OM&A expense includes salaries and benefits; external services; materials and supplies and other operating costs.

OM&A expense was $663 million in 2014, up $42 million from 2013. The increase was largely due to an increase in major overhauls performed at our generation facilities. In 2014, the number of hours dedicated to performing overhauls at the Corporation's generation facilities more than doubled compared to the prior year.

In addition, emergency maintenance costs were also higher in 2014 to address damage to transmission and distribution infrastructure caused by summer flooding and wind storm activity. Finally, salaries and benefits increased as a result of merit increases, job evaluation and collective bargaining settlements.

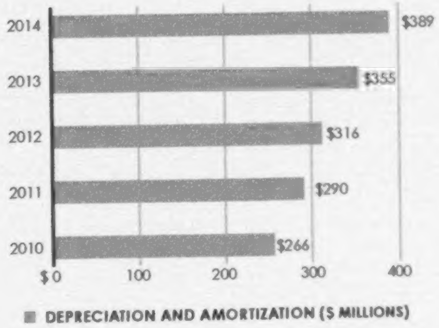


C. Depreciation and amortization

(in millions)	2014	2013	Change
Depreciation and amortization	**$ 389**	$ 355	$ 34

Depreciation represents a charge to income for the capital expenditures of SaskPower. The capital expenditures are amortized to income on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation rates are established based on periodic depreciation studies.

Depreciation and amortization expense was $389 million in 2014, up $34 million from 2013. The rise was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures. In addition, following the completion of an internal depreciation study in 2013, the estimated useful lives of certain asset components were changed. The changes in estimates were applied prospectively effective January 1, 2014, and resulted in a $5 million increase to depreciation expense in 2014.

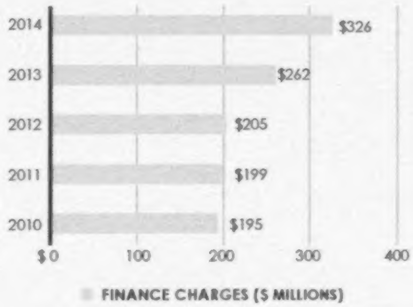


D. Finance charges

(in millions)	2014	2013	Change
Finance charges	**$ 326**	$ 262	$ 64

Finance charges include the net of interest on long-term and short-term debt; interest on finance leases; interest on employee benefit plans; interest on provisions; interest capitalized; debt retirement fund earnings; and interest income.

Finance charges were $326 million in 2014, up $64 million from 2013. The increase in finance charges was attributable to a $73 million increase in finance lease expense as a result of the commissioning of the North Battleford Generating Station and additional interest expense incurred as a result of higher long-term debt levels required to finance SaskPower's capital expenditures. These increases in finance charges were partially offset by a $5 million increase in interest capitalized during the year as a result of the large construction in progress balance that was carried throughout the year, as well as a $4 million reduction in interest related to employee benefit plans.



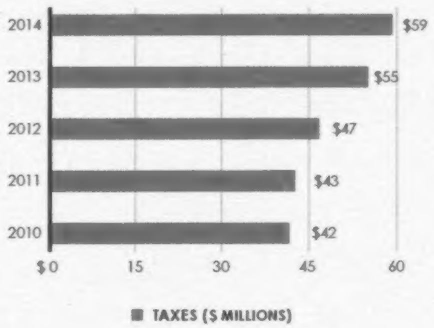
E. Taxes

(in millions)	2014	2013	Change
Taxes	**$ 59**	$ 55	$ 4

Taxes represent the payment of corporation capital tax to the Province of Saskatchewan and grants-in-lieu of taxes paid to 13 cities in Saskatchewan.

Taxes were $59 million in 2014, up $4 million from 2013. This increase was primarily due to a $3 million increase in corporate capital tax as a result of growth in the Corporation's capital tax base.

There was also a $1 million increase in grants-in-lieu of taxes as a result of rising Saskatchewan electricity sales.



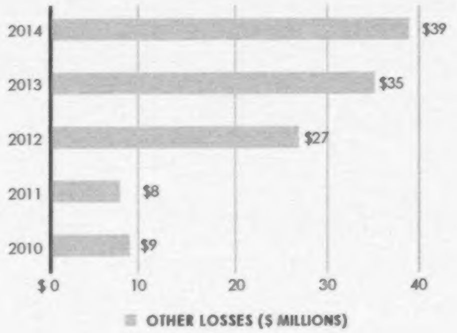
F. Other losses

(in millions)	2014	2013	Change
Other losses	**$ 39**	$ 35	$ 4

Other losses include asset impairment losses, net losses on asset disposals and retirements, environmental remediation activities, and foreign exchange gains.

Other losses were $39 million in 2014, up $4 million compared to 2013. The $4 million increase was mainly due to the recognition of a $17 million impairment loss on AMI meters as a result of a decision to replace these meters with legacy meters.

These losses were partially offset by a reduction in environmental expenses and losses on the unamortized value of assets that were retired during the year.



UNREALIZED MARKET VALUE ADJUSTMENTS

(in millions)	2014	2013	Change
Natural gas contracts gains (losses)	$ (15)	$ (29)	$ 14
Natural gas inventory revaluation	(2)	3	(5)
Electricity contracts gains (losses)	(1)	6	(7)
Debt retirement funds gains (losses)	35	(33)	68
Unrealized market value adjustments	**$ 17**	$ (53)	$ 70

Unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges; natural gas inventory; electricity trading contracts; and debt retirement funds at period-end. These non-cash transactions resulted in net market value gains for the year of $17 million compared to a $53 million net loss in the prior year.

SaskPower has outstanding natural gas hedges of approximately 69 million notional GJ to cap the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the period of 2015 to 2024. The market value of these outstanding natural gas hedges declined $15 million in 2014 compared to a $29 million decrease the previous year. The losses are the result of a decline in the forward price of natural gas and the settlement of natural gas hedge contracts. These are unrealized losses as the contracts are still outstanding and will not settle until sometime in the future. Market value adjustments on natural gas hedges are subject to significant volatility based on movements in the forward price of natural gas.

The net realizable value of the Corporation's natural gas inventory held in storage has also declined. As a result, SaskPower recognized a $2 million write-down of its natural gas inventory in 2014.

Unrealized market value losses related to SaskPower's outstanding electricity derivative contracts were $1 million, a $7 million decrease from the prior year as a result of physical settlements of fixed price forward agreements during 2014.

Finally, the Corporation also recorded $35 million in market value gains related to its debt retirement funds, which represents a $68 million improvement compared to the prior year. The increase in the market value of the debt retirement funds is primarily due to a decrease in long-term interest rates which positively impacts the value of the bonds in the debt retirement fund portfolio.

2014 QUARTERLY RESULTS

The following chart outlines the quarterly results of SaskPower in 2014:

(in millions)	Q1	Q2	Q3	Q4	Total
Revenue					
Saskatchewan electricity sales	$ 530	$ 497	$ 488	$ 528	**$ 2,043**
Exports	3	3	1	–	**7**
Net (costs) sales from electricity trading	(1)	(1)	1	(1)	**(2)**
Share of profit from equity accounted investees	1	–	1	–	**2**
Other revenue	25	21	30	31	**107**
	558	**520**	**521**	**558**	**2,157**
Expense					
Fuel and purchased power	173	142	146	177	**638**
Operating, maintenance and administration	155	168	163	177	**663**
Depreciation and amortization	93	95	98	103	**389**
Finance charges	75	76	83	92	**326**
Taxes	13	17	15	14	**59**
Other losses (gains)	3	40	(12)	8	**39**
	512	**538**	**493**	**571**	**2,114**
Income (loss) before the following	**$ 46**	**$ (18)**	**$ 28**	**$ (13)**	**$ 43**
Unrealized market value adjustments	59	(6)	(11)	(25)	**17**
Net income (loss)	**$ 105**	**$ (24)**	**$ 17**	**$ (38)**	**$ 60**

First Quarter

SaskPower's consolidated income before unrealized market value adjustments was $46 million in the first quarter of 2014. The strong earnings in the quarter are attributable to strong sales volumes as a result of cold weather and relatively low maintenance activities.

Second Quarter

SaskPower's consolidated loss before unrealized market value adjustments was $18 million in the second quarter of 2014. The loss was primarily due to the recording of an impairment loss as a result of a decision to remove SaskPower's AMI meters.

Third Quarter

SaskPower's consolidated income before unrealized market value adjustments was $28 million in the third quarter of 2014. The improvement in the third quarter earnings was largely attributable to a partial reversal of impairment losses on AMI meters as a result of a settlement to return the meters to the manufacturer, Sensus, for a full refund.

Fourth Quarter

SaskPower's consolidated loss before unrealized market value adjustments was $13 million in the fourth quarter of 2014. The loss was the result of rising fuel and purchased power costs and maintenance expenses during the quarter.

FINANCIAL CONDITION

The following chart outlines changes in the consolidated statement of financial position from December 31, 2013, to December 31, 2014:

(in millions)	Increase/ (decrease)
Accounts receivable and unbilled revenue Margin deposits on natural gas derivatives, return of AMI meters, timing of receipts.	$ 47
Inventory Increase in maintenance materials and supplies.	31
Prepaid expenses Timing of payments.	3
Property, plant and equipment Capital additions, offset by depreciation, disposals, retirements, and impairment losses.	907
Intangible assets Amortization expense less capitalization of new software costs.	(3)
Debt retirement funds Instalments, earnings, and market value gains.	89
Investments accounted for using equity method MRM equity investment income less distribution.	–
Other assets Amortization of long-term coal supply agreements.	(2)
Bank indebtedness Refer to Consolidated Statement of Cash Flows.	–
Accounts payable and accrued liabilities Increased deferred customer contributions and timing of payments.	89
Accrued interest Increase in long-term debt.	4
Risk management liabilities (net of risk management assets) Losses on natural gas hedges as well as a decrease in fair value of bond forward agreements.	35
Short-term advances Increase in short-term advances to finance SaskPower's capital expenditures.	86
Long-term debt (including current portion) New borrowings offset by repayments.	787
Finance lease obligations (including current portion) Increase in current portion of finance lease obligations due to North Battleford Generating Station.	1
Employee benefits Actuarial losses on the defined benefit pension plan.	80
Provisions Lower interest rates used to discount the liability offset by increased decommissioning costs.	35
Equity 2014 comprehensive income.	(45)

LIQUIDITY AND CAPITAL RESOURCES

SaskPower raises most of its capital through internal operating activities and through borrowings obtained from the Government of Saskatchewan Ministry of Finance. This type of borrowing allows our company to take advantage of the Government of Saskatchewan's strong credit rating. *The Power Corporation Act* provides SaskPower with the authority to have outstanding borrowings of up to $8 billion, which includes $1.4 billion that may be borrowed by way of temporary loans. Temporary loans include short-term borrowings through the Government of Saskatchewan as well as borrowings made under the $51 million of credit facilities available at financial institutions.

The other major sources of financing utilized by our company include non-recourse debt that was issued in 2001 to finance SaskPower's share of the Cory Cogeneration Station and $660 million in equity advances that were provided by CIC from 1989–1992 to form CIC's equity capitalization in SaskPower.

A. Sources of financing

Types of financing	Authorized amount	Outstanding as at December 31, 2014
Credit facility	$51.0 million	–
Temporary loans (including credit facility)	$1.4 billion	**$0.9 billion**
Total borrowings (including temporary loans)	$8.0 billion	**$5.2 billion**

B. Credit ratings

	2014			2013		
	Short-term obligations	**Long-term obligations**	**Trend**	Short-term obligations	Long-term obligations	Trend
Dominion Bond Rating Service	**R-1 (high)**[1]	**AA**[2]	**Stable**	R-1 (high)[1]	AA[2]	Stable

1. As per Dominion Bond Rating Service Rating Policies, R-1 (high) denotes the highest credit quality. The capacity for payment of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.
2. As per Dominion Bond Rating Service Rating Policies, AA denotes superior credit quality. The capacity for payment of financial obligations is considered high. Credit quality differs from AAA only to a small degree. Unlikely to be significantly vulnerable to future events.

CASH FLOW HIGHLIGHTS

A. Operating activities

(in millions)	2014	2013	Change
Cash provided by operating activities	$ **391**	$ 572	$ (181)

Cash provided by operating activities was $391 million, down $181 million compared to the prior year. The decrease was primarily the result of a decline in income before unrealized market value adjustments and non-cash working capital.

B. Investing activities

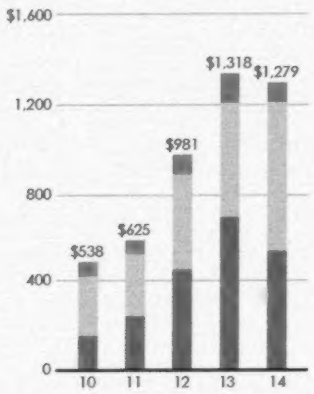
(in millions)	2014	2013	Change
Generation	$ 580	$ 721	$ (141)
Transmission and distribution	618	474	144
Other	81	123	(42)
Total capital expenditures	$ 1,279	$ 1,318	$ (39)
Less: Interest capitalized	(62)	(57)	(5)
Net costs of removal of assets	3	3	–
Distributions from equity accounted investees	(2)	–	(2)
Cash used in investing activities	$ 1,218	$ 1,264	$ (46)

In order to ensure a safe, reliable and sustainable supply of electricity for its customers, SaskPower spent $1.279 billion on various capital projects during 2014, compared to $1.318 billion in 2013. Our company invested in the following areas during the year:

- $171 million to complete the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project.
- $409 million on renewing other generation assets, including $216 million on the expansion of the Queen Elizabeth Power Station.
- $230 million to connect customers to the SaskPower electric system.
- $292 million on increasing capacity (including $135 million on the I1K transmission line) and $61 million on sustaining transmission and distribution infrastructure.
- $35 million for other transmission and distribution assets, including $14 million for vehicles and equipment.
- $81 million on other property, plant and equipment, including $31 million on corporate information and technology assets.

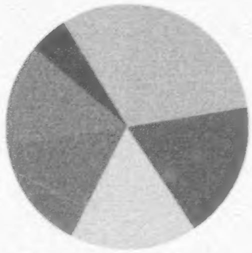
Also included in the cash flows used in investing activities were the following:

- $3 million in net costs incurred on the disposal and retirement of certain assets.
- $2 million received in cash distributions from SaskPower's equity investment in the MRM Cogeneration Station.



CAPITAL EXPENDITURES ($ MILLIONS)

■ GENERATION
■ TRANSMISSION AND DISTRIBUTION
■ OTHER



2014 CAPITAL EXPENDITURES – $1,279 MILLION

■ T&D CAPACITY INCREASE – 23%
■ CUSTOMER CONNECTS – 18%
■ QUEEN ELIZABETH EXPANSION – 17%
■ GENERATION SUSTAINMENT – 15%
■ BOUNDARY DAM ICCS PROJECT – 13%
■ T&D SUSTAINMENT – 5%
■ OTHER – 9%

C. Financing activities

(in millions)	2014	2013	Change
Net proceeds from short-term advances	$ 86	$ 41	$ 45
Proceeds from long-term debt	792	690	102
Repayment of long-term debt	(4)	(101)	97
Debt retirement fund (instalments) net of redemptions	(36)	7	(43)
Principal repayment of finance lease obligations	(6)	(5)	(1)
Increase in finance lease obligations	7	7	–
Realized (losses) gains on cash flow hedges	(12)	49	(61)
Cash provided by financing activities	**$ 827**	$ 688	$ 139

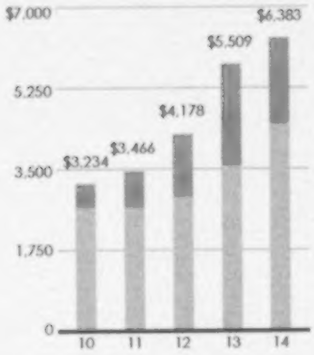
In 2014, $827 million of cash was provided by financing activities, compared to $688 million in 2013. The cash was used to finance the Corporation's capital program.

Capital management

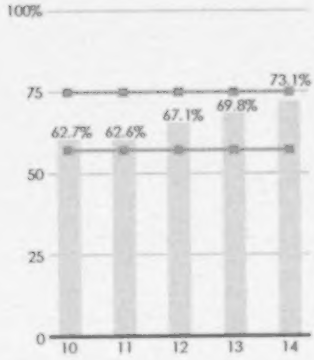
(in millions)	December 31 2014	December 31 2013	Change
Long-term debt	$ 4,355	$ 3,568	$ 787
Short-term advances	890	804	86
Finance lease obligations	1,138	1,137	1
Total debt	**6,383**	5,509	874
Debt retirement funds	(457)	(368)	(89)
Bank indebtedness	2	2	–
Total net debt	**$ 5,928**	$ 5,143	$ 785
Retained earnings	1,521	1,461	60
Accumulated other comprehensive (loss) income	(3)	102	(105)
Equity advances	660	660	–
Total capital	**$ 8,106**	$ 7,366	$ 740
Per cent debt ratio[1]	**73.1%**	69.8%	3.3%

[1] Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advances + finance lease obligations + bank indebtedness – debt retirement funds – cash and cash equivalents).

Total debt position



TOTAL DEBT ($ MILLIONS)



PER CENT DEBT RATIO VS. LONG-TERM TARGET RANGE

SaskPower's total debt position (including finance lease obligations) was $6.4 billion at December 31, 2014, up $0.9 billion from the prior year. The increase was the result of the following:

- The Corporation, through the Government of Saskatchewan's General Revenue Fund, transacted the following:

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Par value	Unamortized premiums (discounts)	Outstanding amount
January 10, 2014	June 2, 2045	3.95	3.90	$ 200	$ (2)	$ 198
March 6, 2014	March 5, 2054	3.76	3.75	100	–	100
May 2, 2014	March 5, 2054	3.71	3.75	175	1	176
May 27, 2014	June 5, 2017	Floating	CDOR[1]	100	–	100
October 2, 2014	June 2, 2045	3.43	3.90	200	18	218
				$ 775	$ 17	$ 792

[1] The coupon rate for this floating rate note is the 3-month Canadian Dealer Offer Rate (CDOR) less a margin payable quarterly. There are no debt retirement fund requirements for this debt issuance.

- The Corporation borrowed an additional $86 million in short-term advances. The short-term advances are due to the Government of Saskatchewan's General Revenue Fund. The advances have interest rates ranging from 0.997% to 1.000% and mature between January 2 and April 14, 2015.

- In addition, the Corporation repaid $4 million of non-recourse debt and recognized $1 million in amortization of debt premiums.

- Lastly, finance lease obligations increased $1 million.

As a result of these financing activities, SaskPower's per cent debt ratio increased from 69.8% at the end of 2013 to 73.1% at the end of 2014.

Debt retirement fund instalments/redemptions

(in millions)	2014	2013	Change
Debt retirement fund instalments	$ (36)	$ (27)	$ (9)
Debt retirement fund redemptions	–	34	(34)

Debt retirement funds are monies set aside to retire outstanding long-term debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Government of Saskatchewan's General Revenue Fund.

During the year, SaskPower made $36 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Government of Saskatchewan's General Revenue Fund. In addition, the Corporation earned $18 million (included with finance charges and classified as non-cash operating activities) on the debt retirement funds for the year.

Dividends

Historically, SaskPower has paid dividends to CIC based on the CIC Dividend Policy. In 2014, CIC determined that the Corporation would not be required to pay dividends due to the company's significant investments in property, plant and equipment.

Contractual obligations

SaskPower has the following significant long-term contractual obligations as at December 31, 2014, which will impact cash flows in 2015 and beyond:

(in millions)	1 year	1 - 5 years	More than 5 years
Long-term debt (including principal and interest)	$ 233	$ 1,122	$ 7,373
Debt retirement fund instalments	41	164	734
Future minimum lease payments	168	706	2,493

SaskPower's financing requirements for the next year will include $233 million in principal and interest payments on long-term debt, $41 million of debt retirement fund instalments and $168 million in minimum lease payments under existing PPAs. Included in the future minimum lease payments are the availability payments related to the PPAs, which have been classified as finance leases. SaskPower evaluates the need for additional borrowings throughout the year.

OUTLOOK

2015 BUDGET VS. 2014 ACTUAL RESULTS

The following chart outlines the 2015 budget as compared to SaskPower's 2014 actual results. These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

(in millions)	Budget 2015	Actual 2014	Change
Revenue			
Saskatchewan electricity sales	$ 2,106	$ 2,043	$ 63
Exports	14	7	7
Net sales (costs) from electricity trading	4	(2)	6
Share of profit from equity accounted investees	2	2	–
Other revenue	126	107	19
	2,252	2,157	95
Expense			
Fuel and purchased power	607	638	(31)
Operating, maintenance and administration	654	663	(9)
Depreciation and amortization	451	389	62
Finance charges	372	326	46
Taxes	67	59	8
Other losses	19	39	(20)
	2,170	2,114	56
Income before the following	$ 82	$ 43	$ 39
Unrealized market value adjustments	–	17	(17)
Net income	$ 82	$ 60	$ 22
Return on equity	3.7%	2.0%	1.7%

SaskPower's income before unrealized market value adjustments is expected to be $82 million in 2015, resulting in a return on equity of 3.7%.

Saskatchewan sales of $2.106 billion are expected to increase $63 million as a result of the system-wide average rate increase of 3.0% that became effective January 1, 2015, and a 387 GWh or 1.8% increase in electricity sales volumes.

The increase in revenue, however, is expected to be partially offset by a $56 million increase in expenses in 2015. The primary driver is a $96 million increase in capital-related expenses, including depreciation, finance charges, taxes and other losses. SaskPower invested $1.279 billion in capital in 2014, and an additional $1.2 billion is expected to be invested in 2015.

Fuel and purchased power costs are expected to decrease $31 million as a result of lower natural gas prices. Finally, OM&A expense is expected to decrease $9 million due to a reduction in controllable spending and through vacancy management.

2015 CAPITAL EXPENDITURES

(in millions)	**Budget 2015**	Actual 2014	Change
Capital expenditures	$ **1,200**	$ 1,279	$ (79)

SaskPower also expects to continue to make substantial investments in its infrastructure over the next 10 years. Capital expenditures in 2015 are forecast to be approximately $1.2 billion. This includes $655 million in costs to improve and expand the Corporation's transmission and distribution infrastructure, including the new I1K transmission line and connecting new customers to SaskPower's grid; $130 million on the expansion of Queen Elizabeth Power Station; and $140 million to maintain and refurbish the existing generation fleet.

RELATED PARTY TRANSACTIONS

SaskPower also has a number of routine transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to our company by virtue of common control by the Government of Saskatchewan. These transactions with related parties are settled at prevailing market prices under normal trade terms. Related party transactions are disclosed in Note 31 to the consolidated financial statements.

ANALYSIS OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

SaskPower's significant accounting policies are described in Note 3 to the consolidated financial statements. Some of these policies involve accounting estimates that require management to make particularly subjective or complex judgments about matters that are inherently uncertain. Different conditions or assumptions regarding the estimates could result in materially different results being reported. Management has discussed the development and selection of these critical accounting policies with the Board of Directors and the external auditors.

The following section discusses the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements.

REVENUE

Electric revenues are billed on a systematic basis over a monthly or quarterly period for all SaskPower customer classes. At the end of each month, SaskPower makes an estimate of the electricity delivered to its customers since their last billing date. The estimated unbilled revenue is based on several factors, including estimated consumption for each customer, applicable customer rates and the number of days between the last billing date and the end of the period. As at December 31, 2014, total Saskatchewan electricity sales of $2.043 billion included $74 million of estimated unbilled revenue.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

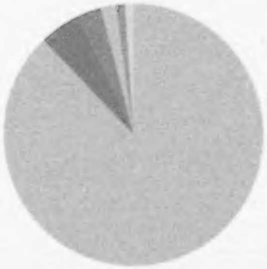
An allowance for doubtful accounts is calculated for both energy and non-energy sales. The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible based on past experience. Historically, SaskPower has not written-off a significant portion of its accounts receivable balances.

DEPRECIATION

Property, plant and equipment represent 88% of total assets recognized on SaskPower's statement of financial position. Included in property, plant and equipment are the generation, transmission, distribution and other assets of SaskPower. Due to the size of SaskPower's property, plant and equipment, changes in estimated depreciation rates can have a significant impact on income.

Depreciation is recognized on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation commences when the property, plant and equipment is ready for its intended use. The estimated useful life of property, plant and equipment is based on manufacturers' guidance, past experience and future expectations regarding the potential for technical obsolescence. The estimated useful lives of the components are based on formal depreciation studies that are performed every five years, with annual reviews for reasonableness. A one-year increase in the average estimated service life of each of the major asset classes of property, plant and equipment would result in a $28 million decrease to depreciation expense in the current year.

Following the completion of an internal depreciation study, the estimated useful lives of certain assets were changed. The change in estimate was applied prospectively, effective January 1, 2014. The impact of the change in estimated useful lives was a $5 million increase to depreciation expense in 2014. See Note 3(e) and Note 9 to the consolidated financial statements for additional discussion of SaskPower's depreciation expense.



2014 TOTAL ASSETS – $9.674 BILLION

- ■ **PROPERTY, PLANT AND EQUIPMENT – 88%**
- ■ **DEBT RETIREMENT FUNDS – 5%**
- ■ **ACCOUNTS RECEIVABLE AND UNBILLED REVENUE – 3%**
- ■ **INVENTORY – 2%**
- ■ **INTANGIBLE ASSETS – 1%**
- ■ **ALL OTHER – 1%**

PROVISIONS

A provision is recognized if, as a result of a past event, SaskPower has a present legal or constructive obligation that can be estimated reliably. It must also be probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in profit or loss as a finance expense.

Decommissioning

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. SaskPower recognizes decommissioning provisions if a reasonable estimate of fair value (net present value) can be determined. Our company recognizes provisions to decommission coal, natural gas, cogeneration, and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes provisions for the decommissioning of assets containing PCBs in excess of existing federal regulations.

The fair value of the estimated decommissioning costs is recorded as a provision, with an offsetting amount capitalized and included as part of property, plant and equipment. The decommissioning provisions are increased periodically for the passage of time by calculating interest expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding anticipated future cash flows, including the method and timing of decommissioning and estimates of future inflation. Decommissioning provisions are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the obligation and the related asset.

Sensitivity of provisions to changes in the discount and inflation rate on the recorded liability as at December 31, 2014, is as follows:

	Decommissioning provisions	
(in millions)	Increase	Decrease
Discount rate (0.5% movement)	$ (20)	$ 24
Inflation (0.5% movement)	24	(20)

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of SaskPower, is considered probable and the costs of remedial activities can be reasonably estimated. The fair value of the estimated costs for investigations and remediation at identified sites is recorded as a provision in profit or loss as other losses. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. SaskPower reviews its estimates of future environmental expenditures on an ongoing basis.

ADVANCED METERING INFRASTRUCTURE (AMI) PROJECT

During 2014, SaskPower recognized a $17 million impairment loss as a result of a decision to replace all AMI meters with legacy meters. The Corporation initially recorded a $41 million impairment loss for the entire net book value of all AMI meters. Subsequently, SaskPower negotiated a financial settlement with the manufacturer, Sensus, for reimbursement of all purchased AMI meters. The total amount of the reimbursement is estimated at $24 million and has been recognized as a reversal of the impairment loss. The net $17 million impairment loss is included as part of other losses on the consolidated statement of comprehensive income.

Substantially all of the approximately 108,000 meters have been removed from customer premises.

EMPLOYEE BENEFITS

As explained in Note 3(n) and Note 32 in the consolidated financial statements, SaskPower provides post-retirement benefits to employees, including those from a defined benefit pension plan (the Plan). The Plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI).

An independent actuary calculates the funded status of the Plan at December 31 each year based on assumptions regarding discount rates, wage and salary increases, age at retirement, contribution levels, future investment performance and future pension indexing. Current service costs are recognized in the statement of income as OM&A expense. Interest expense (income), which is calculated by applying the discount rate to the net accrued benefit obligation, is included in the consolidated statement of income as finance charges. The actuarial gains and losses of the Plan are recognized directly in other comprehensive income or loss. As at December 31, 2014, the current status of the Plan recognized on the consolidated statement of financial position was a Plan deficit of $180 million.

Actuarial gains and losses

Actuarial gains and losses on Plan assets are determined by calculating the difference between actual and expected returns of the Plan assets based upon the discount rate at the beginning of the year. Actuarial gains and losses on the accrued benefit obligation are calculated by an independent actuary based on the discount rate in effect at the end of the year. For the year ended December 31, 2014, $73 million in net actuarial losses were recognized directly in other comprehensive loss relating to SaskPower's defined benefit pension plans.

Changes in the long-term assumptions, including the discount, inflation, future indexing and mortality rates can have a significant impact on the pension costs of SaskPower. Sensitivity of the defined benefit pension plan to changes in these assumptions on the accrued benefit obligation as at December 31, 2014, is as follows:

	Accrued benefit obligation	
(in millions)	Increase	Decrease
Discount rate (1% movement)	$ (97)	$ 117
Inflation (1% movement)	(29)	31
Future indexing (1% movement)	120	(101)
Life expectancy (1 year movement)	32	(30)

RECENT AND FUTURE ACCOUNTING POLICY CHANGES

Refer to Note 4 to the consolidated financial statements for information pertaining to accounting changes effective in 2014.

The following new standards and amendments to standards and interpretations have been issued, and are not yet effective for the year ended December 31, 2014, and have not been applied in preparing the consolidated financial statements. SaskPower is currently reviewing the new accounting standards to determine the potential impact, if any, on its consolidated financial statements. The Corporation does not have any plans to early adopt the new standards.

IFRS 9, *Financial Instruments*

The final version of IFRS 9 was issued by the International Accounting Standards Board (IASB) on July 24, 2014, and will replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. Furthermore, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within net income. The new standard also represents significant improvements in hedge accounting that will enable entities to better reflect risk management activities in their financial statements. The Standard supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after January 1, 2018.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued by the IASB on May 28, 2014, and will replace IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2017.

RISK MANAGEMENT

SaskPower is subject to a variety of risks and uncertainties that could impact the achievement of our business objectives and the Corporation's financial and operating performance. Strategic, financial, operational, environmental, compliance and reputation risks are managed through an Enterprise Risk Management (ERM) Program that protects value and enables performance by managing and aligning sound risk management practices with our strategic business objectives. SaskPower's ERM Program delivers a consistent and robust risk management approach which conforms to the CIC Risk Management Minimum Standards Policy.

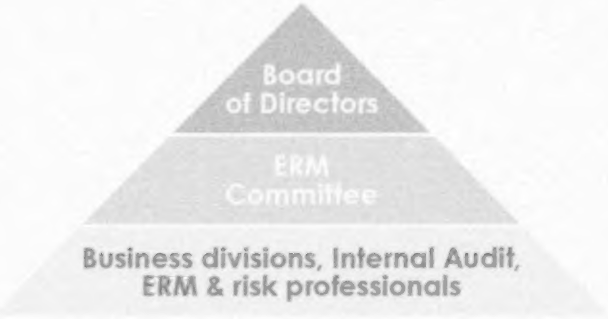
ERM GOVERNANCE

Our philosophy is that risk management is the responsibility of all employees. Specific roles and responsibilities related to risk management are outlined in our ERM Policy and Committee Charter as approved by the Board.

The Board of Directors

The Board of Directors has overall responsibility for the stewardship of the Corporation including the establishment and maintenance of the ERM Program. The Audit & Finance Committee – as a standing committee of the Board – has risk management responsibility including:

- Assisting the Board in fulfilling its oversight responsibility relating to risk management, accounting and internal control as well as the integrity of financial statements and the reporting process;
- Overseeing the internal audit function and the external auditors' qualifications, terms and conditions of appointment, remuneration, independence, performance and reports;
- Reviewing the Corporation's risk appetite and tolerances, risk profile, annual ERM risk register, quarterly interim reporting and the appropriateness of the ERM Program; and
- Establishing policies and procedures, defining acceptable risk tolerance and receiving an annual report of SaskPower's top risks to satisfy itself that effective risk management systems and processes are in place.


Board of Directors
ERM Committee
Business divisions, Internal Audit, ERM & risk professionals

Risk management governance

ERM Committee

The President and CEO has ultimate accountability for risk management and is supported by the Executive. Together they form the SaskPower ERM Committee and are assigned risk management oversight which includes:

- Reviewing the annual Corporate Risk Registry to scan for emerging risks, identify risk correlations, review existing risks, prioritize SaskPower's top risks, and assign Executive responsibility for identified risks;
- Incorporating risk management into policy development, business and strategic planning and change management processes; and
- Monitoring risks against established limits, goals and targets.

Other risk functions

SaskPower's business divisions are responsible for managing day-to-day risks within their area of responsibility. Risks are identified, analyzed, documented and reviewed in divisional risk registers as part of the ERM Program.

SaskPower's risk management is supported by experienced risk professionals who:

- Compile risk reporting for the Board, Audit & Finance Committee and Executive;
- Participate in risk identification, analysis, monitoring and reporting across all divisions and major projects;
- Analyze commercial and environmental risk exposures in our assets and trading operations; and
- Ensure our daily market price exposure is kept within approved risk metrics including value at risk (VaR), position limits, term limits and market limits.

SaskPower utilizes insurance as a key tool in managing risk in conjunction with risk identification, analysis, and control. Our company employs risk and insurance management professionals and maintains appropriate insurance policies to mitigate the impact of losses arising from the operation or failure of our assets.

SaskPower's Internal Audit function compliments ERM by providing assurance on the ERM Program's effectiveness by attesting to the effectiveness of internal controls as part of a risk-based work plan.

MAJOR RISK FACTORS

Top risk factors are identified annually that could impact SaskPower corporate strategies and priorities, influence financial and operating results and affect achievement of our business objectives. The risks are identified and assessed by Executive and business divisions that provide a top-down and bottom-up view of enterprise risks. Risks do not occur in isolation and must be considered in conjunction with each other and in the context of the SaskPower organization. The following section addresses the top risks facing SaskPower during the year.

In 2014, SaskPower failed to identify a significant event in one major project. SaskPower did not identify catastrophic meter failure as a low probability, high impact risk in the Advanced Metering Infrastructure (AMI) Project. Once the event occurred, ERM escalation and risk management practices were in place to identify, assess, evaluate and respond to the circumstances. The program was suspended and corrective action was initiated including internal and external CIC initiated investigations. In response, SaskPower initiated work to address the recommendations which includes building on existing risk management practices and developing a consistent and standardized approach to project risk management. This activity is underway and will be completed in 2015.

SaskPower regularly undertakes routine and non-routine projects as well as explores a number of initiatives. These projects and initiatives require sound project management of which risk management is a fundamental component to ensure appropriate project delivery. Risk management, procurement and contract management are integral to sound project management. SaskPower will continue to evolve its project management practices and standards to demonstrate due diligence in project and risk management and to meet the needs of the province while providing reliable, affordable, sustainable power and ensuring public safety.

The Corporation's ERM strategy aligns with the Corporation's strategic priorities. SaskPower's performance measurement and targets provide the opportunity to optimize continuous improvement through strategic and business planning as well as ongoing ERM.

1 Infrastructure

SaskPower's electricity supply infrastructure used to serve existing and new customers is compromised by age, insufficient capital investment, and growing customer demand and expectations. A large portion of SaskPower's critical generation, transmission and distribution assets are near or at the end of their expected service life. Aging assets are increasingly expensive to maintain and operate and may be less efficient than newer technologies. Significant financial and other resources are required to monitor and properly sustain the existing asset base, replace major components to ensure optimal asset value, allow for capacity increases and perform customer connects. Performance, reliability and maximized uptime of existing generation, transmission and distribution facilities are fundamental to ensuring a safe, continuous and adequate supply of electricity.

Risks we are facing:

- Inadequate infrastructure and capital budgets, or the effects of severe weather events, natural disasters and man-made events (including cyber and physical attacks) may:
  - ◊ threaten or disrupt normal business operations;
  - ◊ require significant financial and other resources to maintain reliable service; and
  - ◊ impact reliability and damage customer confidence and trust.

Steps we are taking:

- Implementation of an Asset Management Framework to provide optimal and sustainable management of assets;
- Implementation of sustainment programs; enhancement of planned maintenance activities; and determination of risk profile per asset class as well as the performance of system condition and health assessments for transmission and distribution assets;
- Risk assessment for structures in water for the purpose of prioritization with remediation work planned to be completed during winter months; and
- Establishment of business continuity and emergency plans to address a variety of adverse scenario events.

2 Workforce management

SaskPower faces many challenges in attracting and maintaining a safe and productive workforce and for strategically planning for workforce needs. Over the next five to 10 years, a significant number of core SaskPower employees will be eligible for retirement, contributing to a period of challenging transition.

Risks we are facing:

- Acquiring, developing or maintaining new and critical skills may limit our ability to lead and support ongoing operations;
- Competition for talent and succession planning for core roles;
- Transferring and retaining intellectual capacity, corporate memory, experience and skills;
- Effectively integrating workforce planning into the annual business and budget planning process; and
- Limited hiring freezes during a period of economic growth and system maintenance and refurbishment.

Steps we are taking:

- Implementation of a workforce plan to ensure current and future sourcing needs are met;
- Introduction of attraction and accreditation initiatives as well as finding qualified skill sets through the building of strong sourcing relationships with external organizations;
- Participation in collective bargaining agreement negotiations with unions to minimize the potential for labour disruption;
- Introduction of new strategies for engagement, job evaluation, performance review measurement and recognition approaches; and
- Defining and delivering programming to support SaskPower's ideal culture.

3 Supply chain

An inadequate system of suppliers can impact SaskPower's ability to supply electricity by not having goods and services in sufficient quantities, at appropriate times, and at competitive costs to maintain and support operations. The supplier environment may be impacted by labour costs, recession, exchange rates, commodity prices or global economic shifts. The degree of impact to SaskPower may depend on the size, asset utilization, capitalization and profitability of the supplier.

Risks we are facing:

- Significant financial costs, project delivery delays, disruption in operations and reputational damage could be experienced as a result of:
  - substandard products or services;
  - uncertain market conditions affecting availability of products and/or services;
  - natural disasters; and
  - breakdown or bankruptcy of suppliers.
- Poor quality of work or timeliness of supply issues may result if sufficient qualified suppliers do not bid on contracts.

Steps we are taking:

- Implementation of a contract standardization project to increase efficiency, reduce negotiation time, ensure consistency of approach and facilitate ease of use;
- Development of an innovation registry to capture ideas from external suppliers and partners;
- Enhancement of our existing supplier ecosystem to address availability, reliability and competitive cost issues as well as supplier performance; and
- Addressing strategic and competitive sources, broader engagement, Aboriginal involvement, including internal processes and relationships, through a procurement transformation initiative.

4 Security (cyber and physical)

SaskPower daily business operations rely on information and operational technologies which need to be maintained, supported, protected and secured to ensure appropriate authorized access and to ensure reliability, confidentiality, integrity and availability of associated systems and information. Demand for security capabilities will increase because security threats are evolving at an exponentially rapid rate and SaskPower is diversifying and acquiring services that require security innovation, flexibility and adaptability. SaskPower is a target for copper theft and malware.

Risks we are facing:

- Evolving threats from organized crime, international extremists, intellectual property thieves, environmental militants and insider threats could potentially result in:
  - disruption of system reliability, core business operations and customer services;
  - loss of and/or damage to personnel, information, facilities or equipment;
  - loss of stakeholder and customer confidence and trust; and
  - costs of recovery and restoration.

Steps we are taking:

- Enhancement of security analytics, vulnerability and threat management and data loss prevention through projects designed to address unauthorized access and use of unauthorized software;
- Compliance with security standards within NERC-CIP;
- Creation of a Security Advisory Council to enable improvements in security standard creation/approval, communication, reporting and enforcement;
- Centralization of security services to coordinate security monitoring and response activities; and
- Development of business continuity plans as well as plans to address threats of sabotage and information theft.

5 Project delivery

SaskPower has identified the need to invest significant amounts of capital in long-term projects to ensure continuing reliability; maintain, upgrade and expand infrastructure; and meet emerging environmental requirements. SaskPower is in the process of delivering a number of significant projects related to customer connects, customer increases, service delivery improvement, sustainment and refurbishment of existing infrastructure and carbon capture and storage. All of these are competing for human resources, financial, operating and capital resources and Executive awareness.

Risks we are facing:

- SaskPower may fail to deliver projects or complete projects on materially different terms or timing than initially anticipated;
- Errors in communications, planning and execution may result in poor project perceptions and impact stakeholder trust and confidence;
- Any failure of major initiatives to transition to operations may result in damage to SaskPower's balance sheet and reputation; and
- SaskPower has completed construction of the first and largest integrated clean coal and carbon capture and storage demonstration project in the world at Boundary Dam Power Station, which involves complex emerging technology, critical partnerships, and significant financial exposure.

Steps we are taking:

- SaskPower established a Project Delivery Office and the implementation of the Transmission Transformation Initiative to improve project delivery;
- SaskPower is reviewing its project risk management practices to incorporate an ERM approach and to identify improvements in risk management, process safety management, strategic procurement, and contract management;
- Management is performing additional due diligence on the AMI project before proceeding further. Removal of smart meters was substantially completed in early 2015;
- SaskPower employs professional project specialists for planning, estimating, execution, cost control and commissioning, and also develops risk management plans to deal with specific contingencies; and
- SaskPower is working to reduce costs and increase efficiency and effectiveness through strategic sourcing of goods and services, improvement of logistics, and improvements in the procurement operating model and processes.

6 Environment

SaskPower faces a number of significant uncertainties regarding environmental events, which may impact the achievement of SaskPower's business strategies, priorities and operational targets. Environmental regulatory changes and heightened regulatory scrutiny may affect generation and transmission operations, as well as future supply options. Adaption to climate change will be a significant factor for SaskPower to consider in planning future facilities.

Risks we are facing:

- Environmental regulatory changes and heightened regulatory scrutiny may affect generation and/or transmission operations and future supply options; and
- Federal, provincial and local government regulations are subject to change. Failure to comply may result in sanctions including fines or orders affecting operations and costs.

Steps we are taking:

- SaskPower is in discussion regarding provincial greenhouse gas regulations and a federal-provincial equivalency agreement;
- A PCB action plan is being implemented to address compliance and regulatory requirements; and
- Human Resources is developing a Sustainability Office and has initiated work on a framework to define SaskPower's approach to sustainability encompassing areas such as supply planning, procurement, workforce management, and the environment.

7 Stakeholder relations

SaskPower interacts with a variety of stakeholders within the scope of its operations, including the Aboriginal community, customers, business partners, employees, shareholders, governments, regulatory bodies and contractors. Positive stakeholder engagement can help SaskPower achieve its objectives and deal with adversity or significant change when it impacts the organization and its stakeholders.

Risks we are facing:

- Loss of confidence and trust from any stakeholder could affect SaskPower operations and may have a material effect on financial results.

Steps we are taking:

- Development, implementation and monitoring of communication strategies to meet the needs of respective stakeholders, including strategies for using and managing social media;
- Exploration of partnership opportunities through various policies, including the Aboriginal Procurement Policy;
- Relationship strengthening through information and consultation processes; and
- Ongoing engagement of the Saskatchewan Rate Review Panel to communicate SaskPower plans.

8 Change management

SaskPower is in a period of significant change and renewal. As SaskPower makes strategic decisions for the future, its corporate culture will need to adjust to reflect the changing business. Care is needed to ensure the positive qualities of our company's culture are preserved and reinforced while incorporating new attributes. Corporate culture is the set of shared attitudes, beliefs, values and norms that is passed among organizational members.

Risks we are facing:

- Potential resistance to change may restrict the Corporation from making necessary adjustments to its business model and core operations;
- Failure to identify and address cultural changes may contribute to lower productivity and lower employee engagement; and
- Integration of new methods, processes and technologies into SaskPower's organizational structure requires cultural change if silos are to be addressed, conflicts avoided and communication improved.

Steps we are taking:

- Introduction of a performance management system to support the communication and alignment of corporate, business unit, and employee goals and objectives;
- Development of a Culture Program, including defining essential behaviours to support SaskPower's ideal culture;
- Human Resources Business Partner support to manage change and identify change management issues;
- Corporate-wide communication of the strategic direction; and
- Management of change through regular planning cycles, long-term asset planning, prioritizing in operational decision making and project risk management within project delivery.

9 Fuel supply

Having sufficient fuel available when required for generation is essential to our ability to meet electricity demand and supply customers. SaskPower's primary fuel sources are coal, natural gas and hydro. Taken in combination, these fuel sources form the basis of SaskPower's diversified supply portfolio. SaskPower also has agreements with Independent Power Producers (IPPs) to acquire additional supply. Coal contracts are negotiated to address price, security of supply and equipment, and performance items. Natural gas costs are impacted by price volatility, supply availability and market conditions.

Risks we are facing:

- A disruption in the fuel supply, wholesale energy markets or energy supply could adversely affect SaskPower operations, financial condition or its ability to meet electricity demand and service customers;
- Weather-related risks, including customer load demand, hydro energy production and wind power output;
- The growing trend in customer self-generation or customer-owned generation will affect SaskPower supply and infrastructure planning as well as its customer policies and programs; and
- Supply planning risk involves consideration of: the cost to install new generation; the fuel price to operate facilities; regulatory concerns around emissions; load forecast uncertainty; hydro conditions, ownership and resource availability.

Steps we are taking:

- Development of a long-term coal strategy and appointment of a committee to negotiate expiring long-term coal contracts;
- Preparation of 10-Year and 20-Year Supply Plans and a 40-Year Leadership Outlook to present supply options;
- Development of a diversified and flexible fuel portfolio including strategies for renewables;
- Relationship maintenance with suppliers and partners as well as networks with others to keep options available for material and fuel supply;
- Coordination of planned outages with customers and fuel suppliers to minimize impact;
- Creation of a hedging policy to address security of natural gas supply, market access and price management; and
- Engaging in ongoing research to explore other fuel options to support a diversified portfolio.

10 Safety

There are considerable hazards and risks associated with working on high voltage equipment, working at heights, working with chemicals, and working around large machines that are at a high temperature or pressure. SaskPower interacts with customers, contractors and the public who must be informed of potential safety issues.

Risks we are facing:

- Failure to execute appropriate work processes and procedures may result in injury or death as well as lead to adverse financial consequences;
- Lack of a proper safety management system and properly trained and qualified staff may result in injury or death;
- Contact with energized apparatus by the public or an employee can cause personal injury or death, localized system failure, maintenance, potential litigation and reputation risk; and
- Poor safety performance contributes to lower productivity due to injury, accident investigations, and lower employee engagement.

Steps we are taking:

- Implementation of ULC-S801 electric safety programming;
- Incorporation of safety objectives in the performance management system;
- Including appropriate elements of the Process Safety Management – Standard of Care in project management plans;
- Centralization of training to address training requirements through the Learning Department;
- Establishment of extensive policies, procedures, directives and training programs to provide a safe working environment and safe public service;
- SaskPower has designed programs to raise awareness and increase knowledge for contractors and the general public. Public safety campaigns contribute to the prevention of public safety incidents;
- Review of the Vegetation Management Program; and
- Maintaining compliance with the internationally recognized OHSAS 180001 specifications.

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REPORT OF MANAGEMENT

The consolidated financial statements of Saskatchewan Power Corporation (SaskPower; the Corporation) are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to March 4, 2015. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate, and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit & Finance Committee of the Board of Directors.

The Board of Directors, through the Audit & Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit & Finance Committee consists entirely of outside Directors. At regular meetings, the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the Independent Auditor's Report have been reviewed by the Audit & Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit & Finance Committee, with and without the presence of management.

The consolidated financial statements have been examined by Deloitte LLP, Chartered Professional Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditor's responsibility is to express its opinion on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards.

On behalf of management,

Sandeep Kalra

Mike Marsh
Acting President and Chief Executive Officer
March 4, 2015

Sandeep Kalra
Vice-president and Chief Financial Officer

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

I, Mike Marsh, Acting President and Chief Executive Officer of Saskatchewan Power Corporation, and I, Sandeep Kalra, Vice-president and Chief Financial Officer of Saskatchewan Power Corporation, certify the following:

(a) That we have reviewed the consolidated financial statements included in the Annual Report of Saskatchewan Power Corporation. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2014.

(b) That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report of Saskatchewan Power Corporation do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

(c) That Saskatchewan Power Corporation is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Saskatchewan Power Corporation has designed internal controls over financial reporting that are appropriate to the circumstances of Saskatchewan Power Corporation.

(d) That Saskatchewan Power Corporation conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Saskatchewan Power Corporation can provide reasonable assurance that internal controls over financial reporting as of December 31, 2014, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management,

Mike Marsh
Acting President and Chief Executive Officer
March 4, 2015

Sandeep Kalra

Sandeep Kalra
Vice-president and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying consolidated financial statements of Saskatchewan Power Corporation, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of income, consolidated statement of comprehensive (loss) income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saskatchewan Power Corporation as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants

March 4, 2015

Regina, Saskatchewan

CONSOLIDATED STATEMENT OF INCOME

(in millions)

For the year ended December 31	2014	2013
Revenue		
Saskatchewan electricity sales	$ 2,043	$ 1,878
Exports	7	62
Net (costs) sales from electricity trading *(Note 5)*	(2)	3
Share of profit from equity accounted investees *(Note 18)*	2	3
Other revenue *(Note 6)*	107	99
	2,157	2,045
Expense		
Fuel and purchased power *(Note 7)*	638	550
Operating, maintenance and administration *(Note 8)*	663	621
Depreciation and amortization *(Note 9)*	389	355
Finance charges *(Note 10)*	326	262
Taxes *(Note 11)*	59	55
Other losses *(Note 12)*	39	35
	2,114	1,878
Income before the following	43	167
Unrealized market value adjustments *(Note 13)*	17	(53)
Net income	$ 60	$ 114

See accompanying notes

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME

(in millions)

For the year ended December 31	2014	2013
Net income	$ 60	$ 114
Other comprehensive (loss) income		
Items that may be reclassified subsequently to net income:		
Derivatives designated as cash flow hedges:		
Change in fair value during the year	(19)	4
Net realized (losses) gains during the year	(12)	49
Reclassification to income *(Note 10)*	(1)	–
Items that will not be reclassified to net income:		
Defined benefit pension plans:		
Net actuarial (losses) gains *(Note 32)*	(73)	198
	(105)	251
Total comprehensive (loss) income	$ (45)	$ 365

See accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions)

As at December 31	2014	2013
Assets		
Current assets		
Accounts receivable and unbilled revenue	$ 315	$ 268
Inventory *(Note 14)*	218	187
Prepaid expenses	11	8
Risk management assets *(Note 26)*	7	9
	551	472
Property, plant and equipment *(Note 15)*	8,548	7,641
Intangible assets *(Note 16)*	73	76
Debt retirement funds *(Note 17)*	457	368
Investments accounted for using equity method *(Note 18)*	40	40
Other assets *(Note 19)*	5	7
Total assets	$ 9,674	$ 8,604
Liabilities and equity		
Current liabilities		
Bank indebtedness	$ 2	$ 2
Accounts payable and accrued liabilities	532	443
Accrued interest	57	53
Risk management liabilities *(Note 26)*	96	63
Short-term advances *(Note 20)*	890	804
Current portion of long-term debt *(Note 21)*	5	5
Current portion of finance lease obligations *(Note 22)*	8	6
	1,590	1,376
Long-term debt *(Note 21)*	4,350	3,563
Finance lease obligations *(Note 22)*	1,130	1,131
Employee benefits *(Note 32)*	233	153
Provisions *(Note 23)*	193	158
Total liabilities	7,496	6,381
Equity		
Retained earnings	1,521	1,461
Accumulated other comprehensive (loss) income *(Note 25)*	(3)	102
Equity advances *(Note 24)*	660	660
Total equity	2,178	2,223
Total liabilities and equity	$ 9,674	$ 8,604

See accompanying notes

On behalf of the Board,

Robert Pletch
Chair

Leslie Neufeld
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Accumulated other comprehensive income (loss)			
(in millions)	Retained earnings	Net gains (losses) on derivatives designated as cash flow hedges	Net actuarial gains (losses) on defined benefit pension plans	Equity advances	**Total**
Equity					
Balance, January 1, 2013	$ 1,347	$ (6)	$ (143)	$ 660	**$ 1,858**
Net income	114	–	–	–	**114**
Other comprehensive income	–	53	198	–	**251**
Balance, December 31, 2013	**$ 1,461**	**$ 47**	**$ 55**	**$ 660**	**$ 2,223**
Net income	60	–	–	–	**60**
Other comprehensive loss	–	(32)	(73)	–	**(105)**
Balance, December 31, 2014	**$ 1,521**	**$ 15**	**$ (18)**	**$ 660**	**$ 2,178**

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions) For the year ended December 31	2014	2013
Operating activities		
Net income	$ 60	$ 114
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization *(Note 9)*	389	355
Finance charges *(Note 10)*	326	262
Losses on asset disposals and retirements *(Note 12)*	16	23
Asset impairment losses *(Note 12)*	17	–
Unrealized market value adjustments *(Note 13)*	(17)	53
Employee benefits *(Note 32)*	(4)	(4)
Share of profit from equity accounted investees *(Note 18)*	(2)	(3)
Allowance for obsolescence *(Note 14)*	1	2
Environmental provisions *(Note 23)*	4	12
Environmental expenditures *(Note 23)*	(9)	(2)
	781	812
Net change in non-cash working capital *(Note 30)*	(3)	77
Interest paid	(387)	(317)
Cash provided by operating activities	391	572
Investing activities		
Property, plant and equipment additions	(1,194)	(1,225)
Intangible assets additions	(23)	(36)
Net costs of removal of assets	(3)	(3)
Distributions from equity accounted investees *(Note 18)*	2	–
Cash used in investing activities	(1,218)	(1,264)
Decrease in cash before financing activities	(827)	(692)
Financing activities		
Net proceeds from short-term advances	86	41
Proceeds from long-term debt *(Note 21)*	792	690
Repayment of long-term debt *(Note 21)*	(4)	(101)
Debt retirement fund (instalments) net of redemptions *(Note 17)*	(36)	7
Principal repayment of finance lease obligations	(6)	(5)
Increase in finance lease obligations	7	7
Realized (losses) gains on derivatives designated as cash flow hedges	(12)	49
Cash provided by financing activities	827	688
Decrease in cash	–	(4)
(Bank indebtedness) cash and cash equivalents, beginning of year	(2)	2
Bank indebtedness, end of year	$ (2)	$ (2)

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's head office is located at 2025 Victoria Avenue in Regina, Saskatchewan, Canada, S4P 0S1.

By virtue of *The Crown Corporations Act, 1993*, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal and provincial income taxes.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- Inventory at lower of cost and net realizable value defined in Note 3(c).
- Financial instruments that are accounted for according to the financial instrument categories defined in Note 3(m).
- Provisions defined in Note 3(h).
- Employee benefit plans' accrued benefit obligations defined in Note 3(n).

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest million.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates are further described in the following summary of significant accounting policies and related notes:

- Electricity deliveries not yet billed at period-end [Note 3(i)] and allowance for doubtful accounts.
- Net realizable value and allowance for inventory obsolescence [Notes: 3(c) and 14].
- Underlying estimates of useful lives and related depreciation and accumulated depreciation [Notes: 3(d), 3(e), 9 and 15].
- Carrying amounts of decommissioning provisions and underlying estimates of future cash flows [Notes: 3(h) and 23].
- Fair value of financial instruments [Notes: 3(m) and 26].
- Carrying amounts of employee benefits and underlying actuarial assumptions [Notes: 3(n) and 32].

Areas of judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include:

- Identification of arrangements which contain a lease [Notes: 3(l) and 22].
- Revenue recognition of customer contributions [Notes: 3(i) and 6].
- Short-term employee incentives accrued.
- Collectability of receivable amounts for Advanced Metering Infrastructure (AMI) meters returned to Sensus.

(e) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements. In particular, the Corporation is currently reviewing IFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2017, and IFRS 9, *Financial Instruments*, effective January 1, 2018, to determine the potential impact, if any. SaskPower does not have any plans to early adopt the new standards.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

i) Subsidiaries

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries with all significant inter-company transactions and balances being eliminated.

Separate audited financial statements are prepared annually for its operating wholly owned subsidiary, NorthPoint Energy Solutions Inc. (NorthPoint). SaskPower International Inc. (wholly owned subsidiary) has no active operations beyond its interests as joint operators of Cory Cogeneration Station and Cory Cogeneration Funding Corporation (CCFC) and its investment in MRM Cogeneration Station, over which it exerts significant influence.

ii) Associates

Associates are those entities in which the Corporation has significant influence, but not control, over strategic financial and operating decisions. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted for investees) and are recognized initially at cost. The consolidated financial statements include the Corporation's share of the total comprehensive income and equity movements of equity accounted for investees, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases (Note 18).

The Corporation has classified the following investment as an associate:

- 30% ownership interest in the MRM Cogeneration Station. The 172-megawatt (MW) natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

iii) Joint operations

Joint operations are those entities over whose activities the Corporation has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions; and provide the Corporation with rights to the assets and liabilities related to the arrangement.

The Corporation has classified the following joint arrangements as joint operations:

- 50% ownership interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228-MW natural gas-fired cogeneration plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan. The electricity generated by the facility is sold to SaskPower under the terms of a 25-year power purchase agreement (PPA).

- 50% ownership interest in CCFC. CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term, non-recourse debt to finance the Cory Cogeneration Station. CCFC acts as agents for the Owners by receiving revenues, disbursing costs (including debt service) and distributing proceeds to the Owners.

The consolidated financial statements include the Corporation's proportionate share of the joint operation assets, liabilities, revenue and expenses.

(b) Cash and cash equivalents (bank indebtedness)

Cash and cash equivalents includes cash, bank indebtedness and short-term investments that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value.

(c) Inventory

Maintenance materials, supplies, natural gas, coal and other fuel inventory are recorded at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Replacement cost is used as management's best estimate of the net realizable value for maintenance materials, supplies, coal and other fuel inventory. Net realizable value for natural gas inventory is determined using the near-month AECO C natural gas market prices as appropriate. Inventories are written down to net realizable value on an item by item basis.

In establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory on hand will become obsolete due to changes in technology. Maintenance materials and supplies are charged to inventory when purchased and expensed or capitalized when used. Natural gas, coal and other fuel inventory are charged to inventory when purchased and expensed as consumed or sold (Note 14).

(d) Property, plant and equipment

Property, plant and equipment is recorded at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, services and direct labour. Borrowing costs associated with major capital and development projects that are six months or longer in duration are capitalized during the construction period at the weighted average cost of borrowings. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the useful life of the asset is increased; physical output, service capacity or quality is improved above original design standards; or operating costs are reduced by a substantial and quantifiable amount that can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are expensed as incurred (Note 15).

When property, plant and equipment are disposed of or retired, the related costs less accumulated depreciation are de-recognized. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds less costs of removal and the carrying amount of the asset. The gain or loss on asset disposals and retirements is recognized in profit or loss as other losses (gains) (Note 12).

Assets held under finance leases are initially recognized at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation (Note 22).

(e) Depreciation

Depreciation is recognized on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Depreciation commences when the property, plant and equipment is ready for its intended use. Land is not depreciated.

The estimated useful life of property, plant and equipment is based on manufacturer's guidance, past experience and future expectations regarding the potential for technical obsolescence. Their estimated useful lives are reviewed annually and any changes are applied prospectively.

Following the completion of an internal depreciation study, the estimated useful lives of certain assets were changed. The change in estimate was applied prospectively, effective January 1, 2014, and resulted in a $5 million increase to depreciation expense in 2014.

The estimated useful lives of the major classes of property, plant and equipment are:

Asset class	Estimated useful lives (years)
Generation	5 – 100
Transmission	3 – 55
Distribution	3 – 40
Other	4 – 60

A one-year increase in the estimated useful life of each of the major classes of property, plant and equipment would result in a $28 million decrease to depreciation expense in the current year.

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as for owned assets, or where shorter, the lease term (Note 9).

(f) Intangible assets

The Corporation's only identifiable intangible asset is software. Software is recorded at cost less accumulated amortization and accumulated impairment losses. Software costs include the cost of externally purchased software packages and for internally developed programs, related external and direct labour costs. Maintenance of existing software programs is expensed as incurred (Note 16).

Amortization is calculated on a straight-line basis over five years — the estimated useful life of the Corporation's software programs. The estimated useful life of intangible assets are reviewed annually and any changes are applied prospectively (Note 9).

(g) Impairment of assets

At each reporting date, the Corporation evaluates its property, plant and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors which could indicate an impairment exists include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset or cash generating unit (CGU) exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of the future cash flows to be derived from a CGU. At the reporting date, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write-down was required.

Impairment losses previously recognized for an asset are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or reversal of an impairment loss is recognized in other losses (gains) (Note 12).

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in profit or loss as finance expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(i) Decommissioning

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes decommissioning provisions in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes provisions to decommission coal, natural gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes provisions for the decommissioning of assets containing polychlorinated biphenyls (PCBs) in excess of existing federal regulations.

The fair value of the estimated decommissioning costs is recorded as a provision with an offsetting amount capitalized and included as part of property, plant and equipment. The decommissioning provisions are increased periodically for the passage of time by calculating interest expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation. Decommissioning provisions are periodically reviewed and any changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized as an increase or decrease in the carrying amount of the obligation and the related asset. If the asset value is fully depreciated the changes are recognized in profit or loss as other losses (gains) (Note 23).

(ii) Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. The fair value of the estimated costs for investigations and remediation at identified sites is recorded as a provision in profit or loss as other losses (gains). These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis. Changes in the estimated timing and amount of future cash flows, as well as changes in the discount rate, are recognized in profit or loss as other losses (gains) (Note 23).

(l) Revenue recognition

Revenue represents amounts receivable for goods and services provided in the normal course of business. Revenue is recognized when it is probable that future economic benefits will flow to the Corporation and these benefits can be measured reliably.

(i) Electricity

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel with final approval by provincial cabinet. Saskatchewan electricity sales and exports are recognized upon delivery to the customer and include an estimate of electricity deliveries not yet billed at period-end. The estimated unbilled revenue is based on several factors, including estimated consumption by customer, applicable customer rates and the number of days between the last billing date and the end of the period.

Electricity trading revenues are reported on a net basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at fair value (Notes: 5 and 26).

(ii) Customer contributions

Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are recognized immediately in profit or loss as other revenue when the related property, plant and equipment is available for use (Note 6).

(iii) Other

Wind power incentives received from the Government of Canada for electricity generated from the Centennial and Cypress Wind Power Facilities are recognized as other revenue upon delivery of the electricity into the SaskPower grid. Other revenue also includes gas and electrical inspections, fly ash and carbon dioxide (CO_2) sales which are recorded upon delivery of the related good or service (Note 6).

(j) Finance charges

Finance expense is comprised of interest expense on short-term and long-term borrowings, interest on provisions, interest on employee benefit plans and finance costs related to leased assets. Interest expense is recognized in profit or loss, using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognized as a finance expense as the costs accrue (Note 10).

Finance income is comprised of earnings on debt retirement funds. Finance income is recognized in profit or loss as earned (Note 10).

(k) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars using the rate of exchange in effect at the reporting date. Revenues and expenses are translated at the rate prevailing at the transaction date. Foreign currency translation gains and losses are included in profit or loss in the period in which they arise.

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. The Corporation has assessed its arrangements to determine whether they contain a lease. Certain take-or-pay PPAs, which in management's judgment give SaskPower the exclusive right to use specific production assets, meet the definition of a lease. These arrangements have been classified as finance leases.

Assets held under finance leases are initially recognized at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation. Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the balance outstanding. The interest component is included in finance expense.

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as for owned assets, or where shorter, the lease term.

All other transactions in which SaskPower is the lessee are classified as operating leases. Payments made under operating leases are expensed over the term of the lease (Notes: 15 and 22).

(m) Financial instruments

(i) Classification and measurement

SaskPower classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss; loans and receivables; and other liabilities (Note 26). All financial instruments are measured at fair value on initial recognition and recorded on the consolidated statement of financial position. Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments classified as fair value through profit or loss are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of income in unrealized market value adjustments. Financial instruments classified as loans and receivables and other liabilities are subsequently measured at amortized cost using the effective interest method, less any impairment.

Derivative financial instruments, including natural gas and electricity contracts, are recognized as a financial asset or a financial liability on the trade date. All derivative financial instruments are classified as fair value through profit or loss and recorded at fair value on the consolidated statement of financial position as risk management assets and liabilities. Subsequent changes in fair value of these derivative financial instruments, with the exception of the effective portion of derivatives designated as cash flow hedges, are recognized in the consolidated statement of income in unrealized market value adjustments.

The terms and conditions of certain derivative financial instrument contracts require SaskPower to provide collateral when the fair value of the obligation pursuant to these contracts is in excess of exposure limits granted. When posted, these collateral amounts are recognized as margin deposits on derivative financial instruments and are included with accounts receivable on the statement of financial position.

Certain commodity contracts for the physical purchase of natural gas qualify as own-use contracts. SaskPower entered into these contracts for the purpose of physical receipt of the natural gas in accordance with its own expected usage requirements for the generation of electricity. As such, these non-financial derivative contracts are not recorded at fair value on the consolidated statement of financial position; rather, the contracts are accounted for as a purchase at the time of delivery.

(ii) Hedges

In order to qualify for hedge accounting, the Corporation designates derivatives as hedges through formal documentation of all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction. This process includes linking derivatives to specific assets and liabilities or to specific firm commitments or forecast transactions. The Corporation formally assesses both at the hedge's inception and on an ongoing basis, whether the derivatives used are highly effective in offsetting changes in cash flows of the hedged item and the timing of the cash flows is similar.

The Corporation enters into bond forward agreements to hedge exposures to anticipated changes in interest rates on forecasted issuances of debt (Note 26). The Corporation chooses to designate these contracts as cash flow hedges. As such, the effective portion of the changes in fair value related to the derivative financial instruments are recognized in other comprehensive income, with the fair value being recognized as risk management assets and liabilities on the consolidated statement of financial position. Ineffective portions of hedges are recorded in profit or loss immediately. When the derivatives expire upon the issuance of debt, the resulting gain or loss recorded in accumulated other comprehensive income or loss is amortized to profit or loss over the term of the debt. If no debt is issued, the gain or loss is recognized in profit or loss immediately.

(iii) Embedded derivatives

As at December 31, 2014, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be valued separately.

(iv) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date. SaskPower's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The Corporation has classified the fair value of its financial instruments as level 1, 2, or 3 (Note 26) as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The debt retirement funds are valued by the Government of Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments. The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the same or similar debt instruments.

Natural gas fixed price swap contract values are calculated using internal discounted cash flow models that rely on forward AECO C natural gas pricing provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves.

Electricity contract fair values are determined using independent pricing information from external market providers.

Bond forward agreement fair values are determined using internal discounted cash flow models that rely on forward Government of Canada bond yields provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. The finance lease obligations are valued using internal cash flow models based on contracted pricing in the Corporation's PPAs. The contracted cash flows are discounted using the Government of Saskatchewan bond yields adjusted for a negotiated risk premium.

(n) Employee benefits

The Corporation has a defined contribution pension plan, defined benefit pension plans, and other benefit plans that provide retirement benefits for its employees.

(i) Defined contribution pension plan

A defined contribution pension plan is a post-employment benefit under which SaskPower pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized in OM&A expense in the period during which services are rendered by employees (Note 32).

(ii) Defined benefit pension plans

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution pension plan. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for service in the current and prior periods. The obligation is discounted to determine its present value. The discount rate is the yield at the reporting date on high quality bonds that have maturity dates approximating the terms of the Corporation's obligations. The fair value of plan assets is deducted from the present value of the defined benefit obligation to determine the plan surplus or deficit. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Corporation, the recognized asset is limited to the lower of the plan surplus and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Current service costs are recognized in profit or loss as OM&A expense. Interest expense (income) is calculated by applying the discount rate to the net accrued benefit obligation and recognized as finance charges. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income in the period in which they arise (Note 32).

(iii) Other benefit plans

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. SaskPower's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

The Corporation also provides lifetime superannuation allowances and bridge allowances to employees who chose to retire under various early retirement options. The cost of these benefits is actuarially determined by calculating the present value of all future benefit entitlements (Note 32).

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new standards, and amendments to standards, effective for annual periods beginning on or after January 1, 2014, have been applied in preparing these consolidated financial statements:

Standard	Description	Impact
Amendments to IAS 32, *Financial Instruments: Presentation* in respect of offsetting	The amendments clarify certain items regarding offsetting financial assets and financial liabilities.	Adopted retrospectively effective January 1, 2014, with no impact to the consolidated financial statements.
IFRIC 21, *Levies*	The interpretation clarifies that a liability to pay a levy to a government should only be recognized when an obligating event has occurred.	Adopted retrospectively effective January 1, 2014, with no impact to the consolidated financial statements.
Amendments to IAS 39, *Financial Instruments: Recognition and Measurement*	These new amendments establish that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.	Adopted prospectively effective January 1, 2014, with no impact to the consolidated financial statements.

5. NET (COSTS) SALES FROM ELECTRICITY TRADING

(in millions)	**2014**	2013
Electricity trading revenue	**$ 11**	$ 20
Electricity trading costs	**(13)**	(17)
	$ (2)	$ 3

6. OTHER REVENUE

(in millions)	**2014**	2013
Customer contributions	**$ 47**	$ 46
Gas and electrical inspections	**22**	18
Fly ash sales	**7**	7
Wind power production incentives	**5**	5
Joint use charge	**5**	5
Custom work	**4**	5
CO_2 sales	**3**	–
Miscellaneous revenue	**14**	13
	$ 107	$ 99

7. FUEL AND PURCHASED POWER

(in millions)	2014	2013
Gas	$ 287	$ 241
Coal	247	223
Imports	39	31
Hydro	23	21
Wind	11	10
Other	31	24
	$ 638	$ 550

Gas costs include the fuel charges associated with the electricity generated from SaskPower-owned gas-fired facilities and the cost of fuel related to PPAs with the Cory Cogeneration Station, Meridian Cogeneration Station, Spy Hill Generating Station and North Battleford Generating Station. Imports represent electricity purchased from suppliers that produce power outside Saskatchewan. Wind includes the cost of electricity obtained through SaskPower's PPAs with the SunBridge Wind Power and Red Lily Wind Power Facilities. Other includes the cost of electricity obtained through PPAs with Prince Albert Pulp and NRGreen Heat Recovery Facilities and the cost of demand response programs.

8. OPERATING, MAINTENANCE AND ADMINISTRATION

(in millions)	2014	2013
Salaries and benefits	$ 316	$ 290
Employee long-term benefits *(Note 32)*	26	24
External services	214	206
Materials and supplies	37	27
Other	70	74
	$ 663	$ 621

9. DEPRECIATION AND AMORTIZATION

(in millions)	2014	2013
Depreciation expense *(Note 15)*	$ 363	$ 333
Amortization of intangible assets *(Note 16)*	26	22
	$ 389	$ 355

10. FINANCE CHARGES

(in millions)	2014	2013
Finance expense		
Interest on long-term debt	$ 218	$ 191
Interest on finance leases	165	119
Interest on short-term advances	7	8
Net interest on employee benefit plans *(Note 32)*	11	15
Interest on provisions *(Note 23)*	6	4
Other interest and charges	1	1
	408	338
Less: interest capitalized	(62)	(57)
amortization of debt premiums net of discounts *(Note 21)*	(1)	(1)
amortization of bond forward agreements net gains	(1)	–
	344	280
Finance income		
Debt retirement fund earnings *(Note 17)*	(18)	(18)
	(18)	(18)
	$ 326	$ 262

11. TAXES

(in millions)	2014	2013
Saskatchewan corporate capital tax	$ 35	$ 32
Grants-in-lieu of taxes to 13 cities	24	23
	$ 59	$ 55

12. OTHER LOSSES

(in millions)	2014	2013
Asset impairment losses	$ 17	$ –
Net losses on asset disposals and retirements	16	23
Environmental provisions	7	12
Foreign exchange gains	(1)	–
	$ 39	$ 35

13. UNREALIZED MARKET VALUE ADJUSTMENTS

(in millions)	2014	2013
Natural gas contracts gains (losses) *(Note 26)*	$ (15)	$ (29)
Natural gas inventory revaluation *(Note 14)*	(2)	3
Electricity contracts gains (losses) *(Note 26)*	(1)	6
Debt retirement funds gains (losses) *(Note 17)*	35	(33)
	$ 17	$ (53)

14. INVENTORY

(in millions)	December 31 2014	December 31 2013
Maintenance materials and supplies	**$ 202**	$ 169
Allowance for obsolescence	**(11)**	(10)
	191	159
Natural gas	**15**	15
Coal	**12**	11
Other fuel	**2**	2
	220	187
Unrealized natural gas market revaluation	**(2)**	–
	$ 218	$ 187

During the year, $322 million (2013 – $301 million) of natural gas, coal and other fuel inventory and $179 million (2013 – $180 million) of maintenance materials and supplies were consumed. There was a provision made to write-down inventory by $6 million (2013 – $3 million) offset by $5 million (2013 – $1 million) in obsolete inventory that was written-off against the provision during 2014.

15. PROPERTY, PLANT AND EQUIPMENT

(in millions)	Generation	Leased assets	Transmission	Distribution	Other	Construction in progress	Total
Cost or deemed cost							
Balance, January 1, 2013	$ 4,431	$ 533	$ 1,057	$ 2,849	$ 562	$ 840	**$ 10,272**
Additions	24	700	95	245	75	1,318	**2,457**
Disposals and/or retirements	(121)	–	(6)	(20)	(17)	–	**(164)**
Impairment losses	–	–	–	–	–	–	**–**
Transfers	–	–	–	–	–	(493)	**(493)**
Balance, December 31, 2013	**$ 4,334**	**$ 1,233**	**$ 1,146**	**$ 3,074**	**$ 620**	**$ 1,665**	**$ 12,072**
Additions	1,356	–	174	264	132	1,279	**3,205**
Disposals and/or retirements	(81)	–	(4)	(19)	(30)	–	**(134)**
Impairment losses	–	–	–	(19)	–	–	**(19)**
Transfers	–	–	–	–	–	(1,891)	**(1,891)**
Balance, December 31, 2014	**$ 5,609**	**$ 1,233**	**$ 1,316**	**$ 3,300**	**$ 722**	**$ 1,053**	**$ 13,233**
Accumulated depreciation							
Balance, January 1, 2013	$ 2,197	$ 181	$ 437	$ 1,190	$ 237	$ –	**$ 4,242**
Depreciation expense	132	42	30	92	37	–	**333**
Disposals and/or retirements	(110)	–	(3)	(16)	(15)	–	**(144)**
Impairment losses	–	–	–	–	–	–	**–**
Transfers	–	–	–	–	–	–	**–**
Balance, December 31, 2013	**$ 2,219**	**$ 223**	**$ 464**	**$ 1,266**	**$ 259**	**$ –**	**$ 4,431**
Depreciation expense	143	56	28	96	40	–	**363**
Disposals and/or retirements	(75)	–	(3)	(15)	(14)	–	**(107)**
Impairment losses	–	–	–	(2)	–	–	**(2)**
Transfers	–	–	–	–	–	–	**–**
Balance, December 31, 2014	**$ 2,287**	**$ 279**	**$ 489**	**$ 1,345**	**$ 285**	**$ –**	**$ 4,685**
Net book value							
Balance, January 1, 2013	**$ 2,234**	**$ 352**	**$ 620**	**$ 1,659**	**$ 325**	**$ 840**	**$ 6,030**
Balance, December 31, 2013	**$ 2,115**	**$ 1,010**	**$ 682**	**$ 1,808**	**$ 361**	**$ 1,665**	**$ 7,641**
Balance, December 31, 2014	**$ 3,322**	**$ 954**	**$ 827**	**$ 1,955**	**$ 437**	**$ 1,053**	**$ 8,548**

During the year, $62 million (2013 – $57 million) of interest costs were capitalized at the weighted average cost of borrowings rate of 5.00% (2013 – 5.50%).

16. INTANGIBLE ASSETS

(in millions)	Software
Cost	
Balance, January 1, 2013	$ 197
Additions	36
Disposals and/or retirements	–
Transfers	–
Balance, December 31, 2013	$ 233
Additions	23
Disposals and/or retirements	(17)
Transfers	–
Balance, December 31, 2014	$ 239
Accumulated amortization	
Balance, January 1, 2013	$ 135
Amortization expense	22
Disposals and/or retirements	–
Transfers	–
Balance, December 31, 2013	$ 157
Amortization expense	26
Disposals and/or retirements	(17)
Transfers	–
Balance, December 31, 2014	$ 166
Net book value	
Balance, January 1, 2013	$ 62
Balance, December 31, 2013	$ 76
Balance, December 31, 2014	$ 73

17. DEBT RETIREMENT FUNDS

(in millions)	
Balance, January 1, 2013	$ 390
Debt retirement fund instalments	27
Debt retirement fund redemptions	(34)
Debt retirement fund earnings	18
Debt retirement fund market value gains (losses)	(33)
Balance, December 31, 2013	$ 368
Debt retirement fund instalments	36
Debt retirement fund redemptions	–
Debt retirement fund earnings	18
Debt retirement fund market value gains (losses)	35
Balance, December 31, 2014	$ 457

Under conditions attached to certain advances from the Government of Saskatchewan's General Revenue Fund, the Corporation is required to pay annually into debt retirement funds administered by the Government of Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding. As at December 31, 2014, scheduled debt retirement fund instalments for the next five years are as follows:

(in millions)	2015	2016	2017	2018	2019
Debt retirement fund instalments	$ 41	$ 41	$ 41	$ 41	$ 41

18. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(in millions)	MRM
Balance, January 1, 2013	$ 37
Profit (loss)	3
Distributions	–
Balance, December 31, 2013	**$ 40**
Profit (loss)	2
Distributions	(2)
Balance, December 31, 2014	**$ 40**

MRM Cogeneration Station (MRM)

The Corporation has a 30% ownership interest in the MRM Cogeneration Station. The 172-MW natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

The Corporation's interest in MRM is summarized below:

(in millions)	December 31 2014	December 31 2013
Statement of financial position		
Current assets	$ 20	$ 33
Non-current assets	186	177
Current liabilities	(20)	(36)
Non-current liabilities	(54)	(41)
Net assets	$ 132	$ 133
SaskPower's 30% investment share	$ 40	$ 40

(in millions)	2014	2013
Statement of income		
Revenue	$ 38	$ 49
Expense	(31)	(40)
Profit (loss)	$ 7	$ 9
SaskPower's 30% investment share	$ 2	$ 3

19. OTHER ASSETS

(in millions)	December 31 2014	December 31 2013
Long-term coal supply agreements	$ 1	$ 3
Investment	2	2
Other long-term receivables	2	2
	$ 5	$ 7

Long-term coal supply agreements

This includes prepaid amounts made in accordance with long-term coal supply agreements. The prepaid amount is amortized on a straight-line basis over the period of benefit.

Investment

This represents an investment in the Master Asset Vehicle II (MAVII) instrument. The investment is recorded at its estimated fair value at December 31, 2014 (Note 26).

20. SHORT-TERM ADVANCES

(in millions)	December 31 2014	December 31 2013
Short-term advances	$ 890	$ 804

The short-term advances are due to the Government of Saskatchewan's General Revenue Fund. As at December 31, 2014, the advances have interest rates ranging from 0.997% to 1.000% and mature between January 2 and April 14, 2015. As at December 31, 2013, the advances had interest rates ranging from 0.997% to 1.000% and mature between January 2 and April 1, 2014.

21. LONG-TERM DEBT

(in millions)	
Balance, January 1, 2013	$ 2,980
Long-term debt issues	690
Long-term debt repayments	(101)
Amortization of debt premiums net of discounts	(1)
Balance, December 31, 2013	**$ 3,568**
Long-term debt issues	792
Long-term debt repayments	(4)
Amortization of debt premiums net of discounts	(1)
	$ 4,355
Less: current portion of long-term debt	(5)
Balance, December 31, 2014	**$ 4,350**

Long-term debt is comprised of recourse debt — advances from the Government of Saskatchewan's General Revenue Fund — and non-recourse debt which is used to finance the Cory Cogeneration Station. Under the terms of the non-recourse debt, lenders have recourse limited to the station's assets.

Recourse debt – advances from the Government of Saskatchewan's General Revenue Fund (in millions):

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Par value	Unamortized premiums (discounts)	Outstanding amount
December 20, 1990	December 15, 2020	11.23	9.97	$ 129	$ (1)	$ 128
February 4, 1992	February 4, 2022	9.27	9.60	240	5	245
July 21, 1992	July 15, 2022	10.06	8.94	256	(1)	255
May 30, 1995	May 30, 2025	8.82	8.75	100	(1)	99
August 8, 2001	September 5, 2031	6.49	6.40	200	(2)	198
January 15, 2003	September 5, 2031	5.91	6.40	100	5	105
May 12, 2003	September 5, 2033	5.90	5.80	100	(1)	99
January 14, 2004	September 5, 2033	5.68	5.80	200	3	203
October 5, 2004	September 5, 2035	5.50	5.60	200	3	203
February 15, 2005	March 5, 2037	5.09	5.00	150	(2)	148
May 6, 2005	March 5, 2037	5.07	5.00	150	(1)	149
February 24, 2006	March 5, 2037	4.71	5.00	100	4	104
March 6, 2007	June 1, 2040	4.49	4.75	100	4	104
April 2, 2008	June 1, 2040	4.67	4.75	250	3	253
December 19, 2008	June 1, 2040	4.71	4.71	100	–	100
September 8, 2010	June 1, 2040	4.27	4.75	200	15	215
November 7, 2012	February 3, 2042	3.22	3.40	200	7	207
February 20, 2013	February 3, 2042	3.54	3.40	200	(5)	195
October 2, 2013	June 2, 2045	3.97	3.90	400	(5)	395
December 12, 2013	December 12, 2016	Floating	CDOR[1]	100	–	100
January 10, 2014	June 2, 2045	3.95	3.90	200	(2)	198
March 6, 2014	March 5, 2054	3.76	3.75	100	–	100
May 2, 2014	March 5, 2054	3.71	3.75	175	1	176
May 27, 2014	June 5, 2017	Floating	CDOR[1]	100	–	100
October 2, 2014	June 2, 2045	3.43	3.90	200	18	218
				$ 4,250	**$ 47**	**$ 4,297**

1. The coupon rate for this floating rate note is the 3-month Canadian Dealer Offer Rate (CDOR) less a margin payable quarterly. There are no debt retirement fund requirements for this debt issuance.

Subsequently, on February 5, 2015, the Corporation borrowed $200 million of long-term debt at a premium of $48.3 million. The debt issue has a coupon rate of 3.90%, an effective interest rate of 2.73%, and matures on June 2, 2045. As part of the borrowing, $129 million of bond forward agreements were also settled.

Non-recourse debt (in millions):

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Par value	Unamortized premiums (discounts)	Outstanding amount
April 26, 2001	March 31, 2015, to December 31, 2025	7.87	7.59	$ 31	$ (1)	$ 30
April 26, 2001	March 31, 2015, to June 30, 2026	7.88	7.60	28	–	28
				$ 59	**$ (1)**	**$ 58**

As at December 31, 2014, scheduled principal debt retirement requirements for the next five years are as follows:

(in millions)	2015	2016	2017	2018	2019
Recourse debt	$ –	$ 100	$ 100	$ –	$ –
Non-recourse debt	5	5	5	5	5
	$ 5	**$ 105**	**$ 105**	**$ 5**	**$ 5**

Under conditions attached to certain advances from the Government of Saskatchewan's General Revenue Fund, the Corporation is required to pay annually into debt retirement funds administered by the Government of Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding (Note 17).

22. FINANCE LEASE OBLIGATIONS

(in millions)	December 31 2014	December 31 2013
Total future minimum lease payments	**$ 3,367**	$ 3,531
Less: future finance charges on finance leases	**(2,229)**	(2,394)
Present value of finance lease obligations	**$ 1,138**	$ 1,137
Less: current portion of finance lease obligations	**(8)**	(6)
	$ 1,130	$ 1,131

As at December 31, 2014, scheduled future minimum lease payments and the present value of finance lease obligations are as follows:

(in millions)	1 year	1 - 5 years	More than 5 years
Future minimum lease payments	$ 168	$ 706	$ 2,493
Present value of finance lease obligations	8	62	1,068

23. PROVISIONS

(in millions)	Decommissioning	Environmental remediation	Total
Balance, January 1, 2013	$ 121	$ 41	**$ 162**
Charged to income:			
New obligations	15	–	**15**
Change in discount rate	(3)	–	**(3)**
Interest	3	1	**4**
Capitalized to property, plant and equipment:			
New obligations	–	–	**–**
Change in discount rate	(18)	–	**(18)**
Settled during the period	(2)	–	**(2)**
Balance, December 31, 2013	**$ 116**	**$ 42**	**$ 158**
Charged to income:			
New obligations	–	2	**2**
Change in discount rate	2	–	**2**
Interest	5	1	**6**
Capitalized to property, plant and equipment:			
New obligations	3	–	**3**
Change in discount rate	31	–	**31**
Settled during the period	(7)	(2)	**(9)**
Balance, December 31, 2014	**$ 150**	**$ 43**	**$ 193**

Decommissioning

SaskPower estimates the undiscounted amount of cash flows required for decommissioning is approximately $418 million, which will be incurred between 2015 and 2068. The majority of these costs will be incurred between 2055 and 2068. Rates, based on the Government of Saskatchewan bond yields — ranging from 2.06% to 3.19% — were used to calculate the carrying values of the provisions. No funds have been set aside by the Corporation to settle the decommissioning provisions.

Sensitivity of assumptions

Sensitivity of provisions to changes in the discount and inflation rate on the recorded liability as at December 31, 2014, is as follows:

(in millions)	Decommissioning provisions Increase	Decommissioning provisions Decrease
Discount rate (0.5% movement)	$ (20)	$ 24
Inflation (0.5% movement)	24	(20)

24. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

25. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

(in millions)	December 31 2014	December 31 2013
Realized gains (losses) on derivatives designated as cash flow hedges	**$ 34**	$ 47
Unrealized (losses) gains on derivatives designated as cash flow hedges	**(19)**	–
Actuarial (losses) gains on defined benefit pension plans	**(18)**	55
	$ (3)	$ 102

26. FINANCIAL INSTRUMENTS

(in millions)			December 31 2014 Asset (liability)		December 31 2013 Asset (liability)	
	Classification[4]	Level[5]	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Accounts receivable and unbilled revenue	L&R[2]	N/A	**$ 315**	**$ 315**	$ 268	$ 268
Debt retirement funds	FVTPL[1]	2	**457**	**457**	368	368
Other assets — investment	FVTPL[1]	3	**2**	**2**	2	2
Financial liabilities						
Bank indebtedness	FVTPL[1]	1	**$ (2)**	**$ (2)**	$ (2)	$ (2)
Accounts payable and accrued liabilities	OL[3]	N/A	**(532)**	**(532)**	(443)	(443)
Accrued interest	OL[3]	N/A	**(57)**	**(57)**	(53)	(53)
Short-term advances	OL[3]	N/A	**(890)**	**(890)**	(804)	(804)
Long-term debt	OL[3]	2	**(4,355)**	**(5,470)**	(3,568)	(4,080)
Finance lease obligations	OL[3]	3	**(1,138)**	**(1,274)**	(1,137)	(1,214)

1. FVTPL – Fair value through profit or loss.
2. L&R – Loans and receivables.
3. OL – Other liabilities.
4. The Corporation has not classified any of its financial instruments as held-to-maturity.
5. Fair values are determined using a fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Not applicable (N/A) – Financial instruments — including accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest and short-term advances — are carried at values which approximate fair value.

There were no items transferred between levels in 2014.

Level 3 investment continuity

(in millions)	
Balance, January 1, 2013	$ 1
Gains (losses) recognized in profit (loss)	1
Gains (losses) recognized in other comprehensive income (loss)	–
Balance, December 31, 2013	**$ 2**
Gains (losses) recognized in profit (loss)	–
Gains (losses) recognized in other comprehensive income (loss)	–
Balance, December 31, 2014	**$ 2**

Risk management assets and liabilities

(in millions)	Classification	Level[2]	December 31, 2014 Asset	December 31, 2014 Liability	December 31, 2013 Asset	December 31, 2013 Liability
Natural gas contracts						
Fixed price swap instruments[3]	FVTPL[1]	2	$ –	$ (77)	$ 1	$ (63)
Forward agreements	FVTPL[1]	2	3	–	3	–
Electricity contracts						
Contracts for differences	FVTPL[1]	2	–	–	–	–
Forward agreements	FVTPL[1]	2	4	–	5	–
Interest rate risk management						
Bond forward agreements	FVTPL[1]	2	–	(19)	–	–
			$ 7	$ (96)	$ 9	$ (63)

1. FVTPL – Fair value through profit or loss.

2. Fair values are determined using a fair value hierarchy as follows:

   Level 1 – Quoted prices in active markets for identical assets or liabilities.

   Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.

   Level 3 – Inputs for the asset or liability that are not based on observable market data.

3. The terms and conditions of certain derivative financial instrument contracts require SaskPower to provide collateral when the fair value of the obligation pursuant to these contracts is in excess of exposure limits granted. As at December 31, 2014, the Corporation has posted $20 million in collateral which is recognized as margin deposits on derivative financial instruments and included with accounts receivable on the statement of financial position.

Cash flow hedges

The Corporation uses bond forward agreements to hedge exposures to anticipated changes in interest rates on forecasted issuances of debt. As at December 31, 2014, the Corporation had outstanding bond forward agreements with fixed interest rates ranging from 2.49% to 2.84% as follows:

(in millions)	Maturity	December 31, 2014 Notional principal amount	December 31, 2014 Fair value	December 31, 2013 Notional principal amount	December 31, 2013 Fair value
Interest rate risk management					
Bond forward agreements	February 2015	$ 129	$ (12)	$ –	$ –
Bond forward agreements	June 2015	84	(5)	–	–
Bond forward agreements	October 2015	122	(2)	–	–
		$ 335	$ (19)	$ –	$ –

27. FINANCIAL RISK MANAGEMENT

Market risk

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring and compliance reporting to senior management and the Board.

(a) Commodity prices

Natural gas contracts

The Corporation is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain PPAs that have a cost component based on the market price of natural gas. As at December 31, 2014, the Corporation had entered into financial and physical natural gas contracts to price manage approximately 57% of its budgeted natural gas purchases for 2015, 49% for 2016, 46% for 2017, 37% for 2018, 31% for 2019, 25% for 2020, 21% for 2021, 15% for 2022, 10% for 2023, and 5% for 2024.

Based on the Corporation's December 31, 2014, closing positions on its financial natural gas hedges, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $64 million improvement in the unrealized market value adjustments recognized in profit or loss for the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at December 31, 2014.

Electricity trading contracts

The Corporation is also exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is a commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specified period of time. VaR is used to determine the potential change in value of the proprietary trading portfolio, over a 10-day period within a 95% confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/covariance approach.

VaR has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this risk measure. In addition, the use of a 10-day measurement period implies that positions can be unwound or hedged within that period. However, this may not be possible if the market becomes illiquid. SaskPower recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, volumetric and term limits, stress-testing of individual portfolios and of the total proprietary trading portfolio and management review. At December 31, 2014, the VaR associated with electricity trading activities was $1 million.

(b) Interest rates

Short- and long-term borrowings

The Corporation is exposed to interest rate risk on the Corporation's shorter-term variable interest rate debt. At December 31, 2014, SaskPower had $890 million in short-term advances as well as $200 million of floating rate long-term debt outstanding. The Corporation is also exposed to interest rate risk arising from fluctuations in interest rates on future short-term and long-term borrowings. Interest rate risk on these expected future borrowings is managed by having an appropriate mix of fixed and floating rate debt. The expected borrowings in 2015 are $780 million, of which $130 million is short-term. The Corporation has entered into bond forward agreements of $335 million to hedge exposures to anticipated changes in interest rates on forecasted issuances of long-term debt in 2015.

The Corporation expects to have an average balance of $1 billion in short-term debt outstanding throughout 2015. If interest rates were to increase by 100 basis points, this would result in approximately a $10 million increase in finance charges related to this short-term variable interest rate debt.

Debt retirement funds

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Government of Saskatchewan's General Revenue Fund. The Corporation has classified these investments as fair value through profit or loss and, therefore, recognized the change in the market value in profit or loss for the period. At December 31, 2014, SaskPower had $457 million in debt retirement funds. The fair value of the debt retirement funds is driven largely by interest rates. The estimated impact of a 1% increase in interest rates, assuming no change in the amount of debt retirement funds, would be a $40 million decrease in the market value of the debt retirement funds.

(c) Foreign exchange rates

The Corporation faces exposure to the United States/Canadian dollar exchange rate primarily through the sale of electricity to customers in the United States, as well as from the purchase of goods and services that are payable in United States dollars. The Corporation may utilize financial instruments to manage this risk. As at December 31, 2014, the Corporation had no outstanding foreign exchange derivative contracts. The impact of fluctuations in foreign exchange rates on SaskPower's financial instruments is not considered significant to the Corporation. Therefore, a sensitivity analysis of the impact on profit or loss has not been provided.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation does not have a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at December 31, 2014, is limited to the fair value of the financial assets recognized as follows:

(in millions)	**December 31 2014**	December 31 2013
Financial assets		
Accounts receivable and unbilled revenue	**$ 315**	$ 268
Risk management assets	**7**	9
Debt retirement funds	**457**	368
Investment	**2**	2
	$ 781	$ 647

(a) Accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. The following reflects an aging summary of the Corporation's customer accounts receivable balances for both electricity and non-electricity sales at December 31, 2014:

(in millions)	**December 31 2014**	December 31 2013
Current	**$ 261**	$ 241
30 to 59 days	**10**	8
60 to 89 days	**9**	3
90 days and greater	**16**	14
	296	266
Allowance for doubtful accounts	**(7)**	(7)
Margin deposits on derivative financial instruments	**20**	–
Miscellaneous receivables	**6**	9
	$ 315	$ 268

The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

(b) SaskPower is also exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. The Corporation maintains Board-approved credit policies and limits in respect to its counterparties.

(c) Debt retirement funds are on deposit with the Government of Saskatchewan's General Revenue Fund and invested as the Minister of Finance may determine. At December 31, 2014, the Minister has invested these funds primarily in provincial government and federal government bonds with varying maturities. These coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at December 31, 2014, is considered low.

(d) In 2009, the Corporation converted its investment in Aurora Trust Series A Asset-Backed Commercial Paper (Aurora) to longer-term interest paying notes, Master Asset Vehicle II (MAVII), which will be paid off as the underlying assets mature in December 2016. As of December 31, 2014, the investment has been written-down by 15% to reflect the uncertainty with respect to SaskPower being repaid the full value of its initial investment. It is recognized in other assets on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due or can do so only at excessive cost. SaskPower manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2014:

			Contractual cash flows				
(in millions)	Carrying amount	Contractual cash flows	0-6 months	7-12 months	1-2 years	3-5 years	More than 5 years
Financial liabilities							
Bank indebtedness	$ 2	$ 2	$ 2	$ –	$ –	$ –	$ –
Accounts payable and accrued liabilities	532	532	532	–	–	–	–
Accrued interest	57	57	57	–	–	–	–
Risk management liabilities[1]	96	96	96	–	–	–	–
Short-term advances	890	890	890	–	–	–	–
Long-term debt	4,355	8,671	60	116	333	789	7,373
	$ 5,932	**$ 10,248**	**$ 1,637**	**$ 116**	**$ 333**	**$ 789**	**$ 7,373**

1. The terms and conditions of certain derivative financial instrument contracts require SaskPower to provide collateral when the fair value of the obligation pursuant to these contracts is in excess of credit limits granted. As at December 31, 2014, the Corporation had $20 million in collateral posted related to these contracts.

Management believes its ability to generate and acquire funds will be adequate to support these financial liabilities.

28. CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to ensure adequate capital to support the operations and growth strategies of the Corporation. SaskPower raises most of its capital through internal operating activities and through funds obtained by borrowing from the Government of Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Government of Saskatchewan's strong credit rating. *The Power Corporation Act* provides the Corporation with the authority to have outstanding borrowings of up to $8 billion, which includes $1.4 billion that may be borrowed by way of temporary loans. Temporary loans include short-term borrowings through the Government of Saskatchewan as well as borrowings made under the $51 million of credit facilities available at financial institutions.

The Corporation's capital structure consists of long-term debt net of debt retirement funds, short-term advances, finance lease obligations, bank indebtedness, retained earnings, accumulated other comprehensive income (loss) and equity advances.

The Corporation monitors its capital structure using the per cent debt ratio. The per cent debt ratio target is 60% to 75%. The per cent debt ratio is calculated as total net debt divided by total capital as follows:

(in millions)	**December 31 2014**	December 31 2013
Long-term debt	**$ 4,355**	$ 3,568
Short-term advances	**890**	804
Finance lease obligations	**1,138**	1,137
Total debt	**$ 6,383**	$ 5,509
Debt retirement funds	**(457)**	(368)
Bank indebtedness	**2**	2
Total net debt	**$ 5,928**	$ 5,143
Retained earnings	**1,521**	1,461
Accumulated other comprehensive (loss) income	**(3)**	102
Equity advances	**660**	660
Total capital	**$ 8,106**	$ 7,366
Per cent debt ratio	**73.1%**	69.8%

29. COMMITMENTS AND CONTINGENCIES

(in millions)	2015	2016	2017	2018	2019	Thereafter
Planned capital expenditures	$ 1,200	$ 980	$ 1,048	$ 963	$ 927	$ 4,882
Coal purchase contracts	201	149	153	157	158	796
Natural gas purchase contracts[1]	130	89	89	83	79	234
Natural gas sales contracts	23	–	–	–	–	–
Electricity purchase contracts[2]	26	24	16	13	14	34
Electricity sales contracts	1	–	–	–	–	–
Transmission purchase contracts	3	3	3	3	3	3
Power purchase agreements (PPAs)[3]	33	36	63	92	105	2,253

1. Includes fixed price forward contracts of $669 million (2013 – $705 million) which apply for the own-use scope exemption.
2. Includes fixed price forward contracts of $101 million (2013 – nil) which apply for the own-use scope exemption.
3. As opposed to electricity purchase contracts with neighbouring utilities, PPAs are contracts to purchase substantially all output from an Independent Power Producer's specific asset or facility. The amounts reflected above do not include minimum lease payments related to PPAs classified as leases.

The commitments listed above have maturity dates ranging from 2015 to 2042.

Through the Energy Performance Contracting (EPC) Program, the Corporation has guaranteed $4 million (2013 – $11 million) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings are realized.

The Corporation has also issued letters of credit in the amount of $6 million (2013 – $6 million) related to its electricity trading activities and physical natural gas purchases.

30. NET CHANGE IN NON-CASH WORKING CAPITAL

(in millions)	2014	2013
Accounts receivable and unbilled revenue	$ (57)	$ (4)
Inventory	(34)	(21)
Prepaid expenses	(3)	(1)
Other assets	2	1
Accounts payable and accrued liabilities	89	102
	$ (3)	$ 77

31. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Government of Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

Key management personnel compensation

Key management personnel include Board Members and executive officers. The compensation paid to key management for employee services is shown below:

(in millions)	**2014**	2013
Salaries and short-term employee benefits	**$ 5**	$ 5
Post-employment benefits	**–**	–
Termination benefits	**–**	–
Other long-term benefits	**–**	–
	$ 5	$ 5

32. EMPLOYEE BENEFITS

(in millions)	**Defined benefit pension plan**	**Other benefit plans**	**Total**
Balance, January 1, 2013	$ 290	$ 50	**$ 340**
Current service cost	–	7	**7**
Net interest expense	11	4	**15**
SaskPower funding contribution	–	–	**–**
SaskPower benefits paid	–	(11)	**(11)**
Actuarial losses (gains)	(198)	–	**(198)**
Balance, December 31, 2013	**$ 103**	**$ 50**	**$ 153**
Current service cost	–	7	**7**
Net interest expense	5	6	**11**
SaskPower funding contribution	–	–	**–**
SaskPower benefits paid	–	(11)	**(11)**
Actuarial losses (gains)	72	1	**73**
Balance, December 31, 2014	**$ 180**	**$ 53**	**$ 233**

Defined benefit pension plan

The Corporation sponsors a defined benefit pension plan (the Plan) that has been substantially closed to employees since 1977. The Plan is governed by *The Superannuation (Supplementary Provisions) Act* and *Regulations*, as well as *The Power Corporation Superannuation Act*.

The Plan provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI). The measurement date of the latest actuarial valuation used to determine the Plan assets and obligations was September 30, 2014, and the results were extrapolated to December 31, 2014.

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2014. Under current Canada Revenue Agency guidelines, an actuarial valuation for funding purposes is to be completed at a minimum, every three years.

The Plan is solely the obligation of the Corporation. The Corporation is not obligated to fund the Plan but is obligated to pay benefits under the terms of the Plan as they come due. SaskPower has a Board-approved funding policy which is based on the funding actuarial valuation and requires the Plan deficit to be funded over 10 years when the funded status is less than 95%. In accordance with the funding policy, no contributions were made by SaskPower during 2014.

(a) Status of the Plan

The actuarial valuation measured at September 30, 2014, and extrapolated to December 31, 2014, showed that the Plan had an actuarial deficit of $180 million (2013 – $103 million). The calculation of the pension plan deficit is as follows:

(in millions)	**December 31 2014**	December 31 2013
Plan assets		
Fair value, beginning of year	**$ 791**	$ 746
Actual return on plan assets	**72**	106
Employer funding contributions	**–**	–
Employee funding contributions	**–**	–
Benefits paid	**(63)**	(61)
Fair value, end of year	**$ 800**	$ 791
Accrued benefit obligation		
Balance, beginning of year	**$ 894**	$ 1,036
Current service cost	**–**	–
Interest cost	**39**	38
Benefits paid	**(63)**	(61)
Actuarial losses (gains) on accrued benefit obligation	**110**	(119)
Balance, end of year	**$ 980**	$ 894
Plan deficit	**$ (180)**	$ (103)

(b) Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation are:

	December 31 2014	December 31 2013
Discount rate, beginning of year	**4.50%**	3.75%
Discount rate, end of year	**3.75%**	4.50%
Long-term rate of compensation increases	**–**	2.00%
Long-term inflation rate	**2.00%**	2.00%
Assumptions for benefit increases (% of CPI)	**70.00%**	70.00%
Plan duration (years)	**10.90**	10.20

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The discount rate is the yield at the reporting date on high quality bonds that have maturity dates approximating the terms of the Corporation's obligations. The long-term rate of compensation increases assumption is no longer necessary due to the fact that all active members are assumed to retire immediately given their age and service levels. The mortality assumptions are based on the 2014 Canadian Private Sector Mortality Table.

Sensitivity of assumptions

Sensitivity of the defined benefit pension plan to changes in the discount, inflation, future indexing and mortality rates on the accrued benefit obligation as at December 31, 2014, is as follows:

	Accrued benefit obligation	
(in millions)	Increase	Decrease
Discount rate (1% movement)	$ (97)	$ 117
Inflation (1% movement)	(29)	31
Future indexing (1% movement)	120	(101)
Life expectancy (1 year movement)	32	(30)

(c) Benefit plan asset allocation

The following is a summary of the asset mix of the Plan's investments:

	December 31 2014	December 31 2013
Equity securities	**52.8%**	56.7%
Debt securities	**35.2%**	31.6%
Real estate and infrastructure	**11.6%**	11.4%
Short-term securities	**0.4%**	0.3%
	100.0%	100.0%

(d) Benefit payments

The benefit payments expected to be made to beneficiaries over the next five years are as follows:

(in millions)	2015	2016	2017	2018	2019
Expected benefit payments	$ 66	$ 65	$ 64	$ 63	$ 62

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan and a voluntary early retirement plan.

The significant actuarial assumptions adopted in measuring the Corporation's other benefit plans are:

	December 31 2014	December 31 2013
Discount rate	**3.25%**	3.75 - 4.00%
Long-term rate of compensation increases	**2.00%**	2.00%
Long-term inflation rate	**2.00%**	2.00%
Remaining service life (years)	**7.28**	7.37
Plan duration (years)	**3.90 - 5.90**	3.70 - 5.60

Cumulative actuarial losses (gains)

The cumulative amount of actuarial gains and losses recorded in other comprehensive income related to the Corporation's defined benefit pension plans is as follows:

(in millions	**December 31 2014**	December 31 2013
Balance, beginning of year	**$ (55)**	$ 143
Actuarial losses (gains) on plan assets:		
Experience adjustments	**(38)**	(79)
Actuarial losses (gains) on accrued benefit obligations:		
Experience adjustments	**1**	(8)
Changes in actuarial assumptions (mortality)	**35**	–
Changes in actuarial assumptions (discount rate)	**75**	(111)
Balance, end of year	**$ 18**	$ (55)

Defined contribution pension plan

The defined contribution pension plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to the contributions for current service. These contributions are charged to income when made. The employee benefits expense for the defined contribution pension plan recorded in OM&A expense is as follows:

(in millions)	**2014**	2013
Employee benefits expense	**$ 19**	$ 17

CORPORATE GOVERNANCE

ACCOUNTABILITY IS A PRINCIPAL COMPONENT OF SASKPOWER'S CORPORATE VALUES AND IS ESSENTIAL IN OUR RELATIONSHIP WITH OUR CUSTOMERS, STAKEHOLDERS AND SHAREHOLDER. IN ORDER TO ENSURE THE CONTINUING PRESENCE OF A SOUND CORPORATE GOVERNANCE STRUCTURE, OUR COMPANY REMAINS COMMITTED TO ONGOING EVALUATION. OUR AIM IS TO STRENGTHEN TRANSPARENCY WHILE EXECUTING A COMPREHENSIVE PROGRAM OF REPORTING.

COMPANY STRUCTURE

SaskPower is governed by *The Power Corporation Act*. It is subject to the provisions of *The Crown Corporations Act, 1993*, which gives the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, broad authority to set the direction of SaskPower. In practice, directives are normally in the following forms: CIC Crown subsidiary policies applying to all CIC Crowns; CIC Board resolutions and directives; and CIC management directives.

As the shareholder of SaskPower, CIC provides oversight of our company's operations. Communication is implemented through written policies and directives issued by CIC's management or its Board of Directors, as well as verbally through discussions with SaskPower leaders. Our company reports to CIC on a regular basis on matters such as Corporate Balanced Scorecard results, financial statements and forecasts, capital expenditures and debt obligations. SaskPower also provides ad hoc reports to CIC upon request.

Where required by legislation or policy directive, our company submits performance management and investment decisions for review and approval by CIC and provincial cabinet. Through its Chair, who is an outside Director, the SaskPower Board of Directors is accountable to the Minister Responsible for Saskatchewan Power Corporation. The Minister functions as a link between SaskPower and cabinet, as well as the provincial legislature.

The Legislative Assembly of Saskatchewan appoints members to the Standing Committee on Crown and Central Agencies at the beginning of each legislative session. This committee holds public hearings and is empowered to review the annual reports, financial statements and operations of Crown corporations and related agencies. The Minister Responsible for Saskatchewan Power Corporation and our company's senior executives are called before the committee to answer questions about the year under review and issues of topical concern.

GOVERNING OUR COMPANY

The Board of Directors is responsible for the general stewardship of SaskPower. It is accountable for setting direction, monitoring and evaluating achievement, as well as identifying any necessary corrective action for SaskPower. The Board works with management to develop and approve SaskPower's Strategic Plan, annual budget and Business Plan. It participates in identifying business risks and oversees the implementation of appropriate systems to achieve a balance between risks incurred and potential returns.

All of SaskPower's Board Members, including the Chair, are independent of management. The expectations and responsibilities of Directors are outlined in terms of reference. Board Members receive a comprehensive orientation and continuing education. In addition to being subject to SaskPower's Code of Conduct Policy, Board Members are also bound by the CIC Directors' Code of Conduct. Peer evaluations are completed every two years.

Director	Meetings attended[1]
Rob Pletch, Chair	12
Bill Wheatley, Vice-chair	12
Gord Broda[2]	7
Merin Coutts[2]	10
Judy Harwood	9.5
Mitchell Holash	11
Karri Howlett	12
John Hyshka[2]	10
Bryan Leverick	11
Mick MacBean	4
Leslie Neufeld	11
Tammy Van Lambalgen	10

[1] There were a total of 12 meetings held in 2014.

[2] Appointed February 5, 2014.

Visit saskpower.com for a full description of SaskPower's corporate governance practices, including Board and Director terms of reference.

LEADERSHIP BY COMMITTEE

During the year, the Board reviewed the strategic direction of SaskPower, as well as numerous operational, financial, environmental, human resource and governance items. The Board also continues to adopt policies and processes to enable effective communication with our shareholder, stakeholders and the public.

Our company's Board has standing committees to assist in discharging specific areas of responsibility. In 2014, the Board had three standing committees:

Audit & Finance Committee

Six meetings

Chair: Mick MacBean (to June 5, 2014) and Leslie Neufeld (appointed June 5, 2014)

Members: Bryan Leverick, Bill Wheatley, Gord Broda (appointed March 27, 2014) and Rob Pletch (ex officio)

The Audit and Finance Committee's terms of reference mandate the committee to assist the Board in meeting its responsibilities with respect to financial reporting, internal controls and accountability. The committee oversees the risk management reporting of SaskPower and directly interacts with the internal and external auditors. The committee ensures that the Board is provided with financial plans, proposals and information that are consistent with our company's overall strategic planning and public policy objectives.

During 2014, the committee reviewed annual and interim financial statements, regular risk reporting packages, Corporate Balanced Scorecard reporting, the 2015 Business Plan, as well as the Deloitte and Provincial Auditor 2013 audit summaries. The committee approved the work plan for the Internal Audit Department and monitored quarterly reporting on irregularities. Although there were no material irregularities in 2014, quarterly reporting enhances and underscores ongoing vigilance in this area.

In 2014, the committee recommended a number of significant projects and initiatives to the Board for approval, including: the rehabilitation of the Morrison Dam spillway at Poplar River Power Station; a project to reinforce the transmission and distribution system in the Lloydminster area; a plan to significantly reduce PCB-containing equipment from SaskPower's system by 2023; contracts for integrated vegetation management services for the provincial electrical system; and a long-term parts and services agreement for the Cory Cogeneration Station (owned by SaskPower International Inc. and its joint venture partner, ATCO Power Canada Ltd.).

The committee also monitored management's progress on significant projects that were approved in previous years, such as the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, and received updates on management's feasibility assessment of a potential hydroelectric project in Saskatchewan's North.

Environment, Occupational Health & Safety Committee

Four meetings

Chair: Judy Harwood (to December 11, 2014) and Karri Howlett (appointed December 11, 2014)

Members: Mitchell Holash, John Hyshka (appointed March 27, 2014) and Rob Pletch (ex officio)

The Environment, Occupational Health and Safety Committee is charged with ensuring that our company proactively addresses safety, health and environmental issues and is in compliance with regulatory and statutory requirements. In addition, the committee reviews the findings of the internal and external audits of the company's environmental and safety management systems, as well as environmental, health and safety facilities. It also monitors the implementation of audit recommendations.

Highlights of the committee's activities in 2014 include: approving SaskPower's Health, Safety and Environment Policy; monitoring SaskPower's safety performance throughout the year; and reviewing the condition of SaskPower's dam and ash lagoon facilities.

The committee also reviewed a report on SaskPower's vegetation management program and monitored the implementation of a PCB Action Plan to address risks associated with PCBs and significantly reduce their presence in SaskPower's system.

The committee also considered the implications of changes to occupational health and safety obligations for the employer under *The Saskatchewan Employment Act* and continued to monitor federal and provincial regulatory developments relating to greenhouse gas emissions as well as the Corporation's compliance with environmental regulatory requirements.

Governance/Human Resources Committee

Six meetings (including one for new Board Member orientation)

Chair: Bryan Leverick (to March 27, 2014) and Mitchell Holash (appointed March 27, 2014)

Members: Merin Coutts (appointed March 27, 2014), Judy Harwood (to March 27, 2014), Karri Howlett, Tammy Van Lambalgen and Rob Pletch (ex officio)

The Governance/Human Resources Committee is responsible for the development, review and effectiveness of SaskPower's corporate governance practices. The committee's governance-related duties include serving as ethics advisor for the Board, monitoring and evaluating overall Board performance on a biannual basis, providing guidance on governance issues to Directors, and recommending governance issues for discussion by the full Board. The Governance/Human Resources Committee is also charged with overseeing SaskPower's human resources strategies, programs and practices.

In 2014, the committee approved revisions to the mandate of the Saskatchewan Electric Reliability Authority, which is a committee within SaskPower that is charged with the adoption and enforcement of reliability standards in Saskatchewan under *The Power Corporation Act*. The committee also received a report on gas and electrical inspections activities for 2014.

The committee's human resources-related activities included: a review of management's culture action plan, which is intended to advance the Corporation's ability to meet its strategic goals; a review of SaskPower's succession planning framework; oversight of the progress of negotiations with SaskPower's collective bargaining units; consideration of strategies to address attraction and retention of employees at SaskPower's southern coal plants; and a review of SaskPower's Five-Year Workforce Plan.

ASSESSING OUR GOVERNANCE PERFORMANCE

Our company is committed to regularly revisiting key elements of SaskPower's decision-making processes to ensure we continue to meet best practice standards. As a Crown corporation, SaskPower is not required to comply with Canadian Securities Administrators (CSA) Governance Guidelines. However, we use these guidelines to benchmark our governance practices.

Our company's practices are substantially consistent with CSA standards, as set out in the following scorecard.

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Composition of the Board		
3.1 The Board should have a majority of independent Directors.	As of December 31, 2014, the Board was comprised of 12 independent Directors.	Yes
3.2 The Chair of the Board should be an independent Director. Where this is not appropriate, an independent Director should be appointed to act as "Lead Director." However, either an independent Chair or an independent Lead Director should act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent Director.	Yes
Meetings of Independent Directors		
3.3 The independent Directors should hold regularly scheduled meetings at which non-independent Directors and members of management are not in attendance.	All members are independent. The Board typically has two in camera sessions without management at every meeting.	Yes
Board mandate		
3.4 The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:	The Board has a written mandate in its terms of reference, where it explicitly acknowledges that the Board of Directors functions as a steward of the company.	Yes
(a) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;	The terms of reference for a Director state that Directors shall require "of themselves and corporate employees high standards of ethical behaviour..." The President and CEO mandate also places accountability on that position for ensuring activities and practices of the company are ethical and compliant with the law.	Yes
(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	The Board, working with the executive, provides strategic direction to SaskPower. Formally, this is accomplished with the annual approval of the Strategic Plan.	Yes
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	The Board identifies principal risks to the company on an annual basis. Either directly or through the Audit & Finance Committee, the Board monitors the company's risk management programs. It also oversees the implementation of risk management systems. The Audit & Finance Committee meets regularly to review reports and discuss significant risk concerns with both the internal and external auditors.	Yes
(d) succession planning (including appointing, training and monitoring senior management);	The Board terms of reference state that the Board is responsible for succession planning.	Yes
(e) adopting a communication policy for the issuer;	Pursuant to the Board terms of reference, the Board adopts policies and processes to enable effective communication with CIC, stakeholders and the public.	Yes

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(f) the issuer's internal control and management information systems; and	The Board has approved an internal control program. SaskPower has documented and evaluated the design of the company's internal controls over financial reporting, including the adequacy of its information systems. Our company has developed a testing program to regularly evaluate the effectiveness of these controls. SaskPower's CEO and CFO annually certify that our company has developed an appropriate set of internal controls over financial reporting and that the controls are working effectively.	Yes
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.[1]	The company's corporate governance principles and guidelines are outlined in SaskPower's Governance Manual, which is approved by the Board of Directors. In addition, the Governance/Human Resources Committee is responsible for and reports to the Board on corporate governance matters. The committee also functions as the ethics advisor for the Board.	Yes
The written mandate of the Board should also set out: (i) measures for receiving feedback from stakeholders (e.g., the Board may wish to establish a process to permit stakeholders to directly contact the independent Directors), and	The Board assumes responsibility for adopting policies and processes to enable effective communication with the shareholder, stakeholders and the public. To facilitate feedback from employees, the Board has adopted a whistle blower policy.	Yes
(ii) expectations and responsibilities of Directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials. In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 Disclosure Standards.	Expectations and responsibilities of Directors, including participation in and preparation for meetings, are outlined in the terms of reference for a Director.	Yes

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1. Issuers may consider appointing a Corporate Governance Committee to consider these issues. A Corporate Governance Committee should have a majority of independent Directors, with the remaining members being "non-management" Directors.

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Position descriptions 3.5 The Board should develop clear position descriptions for the Chair of the Board and the Chair of each Board committee. In addition, the Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	The Governance/Human Resources Committee annually reviews the terms of reference for the Board Chair as well as Committee Chairs. These are approved by the Board. The Board has also adopted a President and CEO mandate.	Yes
Orientation and continuing education 3.6 The Board should ensure that all new Directors receive a comprehensive orientation. All new Directors should fully understand the role of the Board and its committees, as well as the contribution individual Directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its Directors). All new Directors should also understand the nature and operation of the issuer's business.	The Governance/Human Resources Committee terms of reference state that it shall recommend a Director orientation and continuing education policy. New Directors receive a comprehensive orientation to corporate issues and processes. Comprehensive briefing materials are also provided to new members covering key aspects of our company's business. The expectations of individual Directors are set out in the terms of reference for a Director approved by the Board. These expectations include attendance at meetings, participation in Board and committee work, and advance preparation for each meeting.	Yes
3.7 The Board should provide continuing education opportunities for all Directors, so that individuals may maintain or enhance their skills and abilities as Directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	SaskPower Board Members are offered the opportunity to attend The Director's College. Sponsored by CIC, this modular program focuses on the highest calibre governance practices, including technical and behavioural aspects of board governance. Directors who complete all five modules of the program are eligible to write a final examination and receive certification as a chartered corporate Director. In addition, our company provides opportunities to participate in site visits and tours. The Board also receives industry-specific briefings as a backdrop for policy and investment decisions.	Yes
Code of Business Conduct and Ethics 3.8 The Board should adopt a written Code of Business Conduct and Ethics (a Code). The Code should be applicable to Directors, officers and employees of the issuer. The Code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:	SaskPower has a written Code of Conduct Policy applicable to Directors, officers and employees. It is intended to provide both general and specific guidelines to protect and guide SaskPower personnel faced with ethical, moral and legal dilemmas during the course of their employment or in carrying out their duties. The Board has the responsibility to review and revise the Code, as required. The Board has further strengthened this directive by adopting a whistle blower policy and implementing an anonymous reporting process to help deter wrongdoing. Quarterly irregularity reporting has been implemented to keep the Board informed of compliance issues.	Yes
(a) conflicts of interest, including transactions and agreements in respect of which a Director or Executive Officer has a material interest;	The Code addresses conflicts of interest. Board Members complete and file annual conflict of interest declarations with the office of the General Counsel as well as declare any conflicts on the spot as they may arise in a meeting setting. Board Members are also bound by the CIC Directors' Code of Conduct.	Yes
(b) protection and proper use of assets and opportunities;	Property and inventions are covered in the Code as well as the appropriate use of business assets.	Yes
(c) confidentiality of corporate information;	Confidentiality is covered in the Code, including SaskPower information that contains third party information and personal information about personnel and customers.	Yes

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Fair dealing is covered in the General Conduct Principles section of the Code as follows: "SaskPower expects personnel to conduct themselves…in a manner that is and is perceived to be fair and evenhanded, and to carry on their activities within the scope of their duties and in compliance with applicable laws and this Code and related policies. The public is entitled to expect and receive…fair and equitable treatment and compliance with confidentiality expectations and laws, whether in the provision of services or in the acquisition of property."	Yes
(e) compliance with laws, rules and regulations; and	The Code requires Directors, officers and employees to comply with applicable laws and related policies.	Yes
(f) reporting of any illegal or unethical behaviour.	The Code places an onus on employees to report suspected illegal or unethical behaviour. This is facilitated by specific procedures for reporting and investigating unethical conduct and other irregularities, which are appended to the Code.	Yes
3.9 The Board should be responsible for monitoring compliance with the Code. Any waivers from the Code that are granted for the benefit of the issuer's Directors or Executive Officers should be granted by the Board (or a Board committee) only. Although issuers must exercise their own judgement in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a Director or Executive Officer which constitutes a material departure from the Code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the Code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things: • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the Board has or has not sanctioned the departure(s), and • any measures the Board has taken to address or remedy the departure(s).	The Governance/Human Resources Committee's terms of reference state that it shall monitor and report annually to the Board concerning compliance with the CIC Director's Code of Conduct and "review and report to the Board on conflict of interest matters involving Directors." There were no waivers granted in 2014 with respect to Code compliance by Directors, Officers or employees.	Yes
Nomination of directors 3.10 The Board should appoint a Nominating Committee.	As a Crown corporation, the appointment and removal of Directors is the prerogative of the Lieutenant Governor in Council, as established by statute. The Governance/Human Resources Committee may review and recommend qualified potential candidates for the Board. The names of any recommended candidates are then submitted by the Board to CIC as shareholder.	Substantial compliance

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
3.11 The Nominating Committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the Board. In addition, the Nominating Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate Directors, the selection and nomination of those Directors need not involve the approval of an independent Nominating Committee.	The terms of reference for the Governance/Human Resources Committee incorporate a written charter, which includes all terms referred to in the CSA guideline, with the exception of authority to delegate to individual members and subcommittees and member appointment and removal. The Board terms of reference state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.	Substantial compliance
3.12 Prior to nominating or appointing individuals as Directors, the Board should adopt a process involving the following steps: (a) Consider what competencies and skills the Board, as a whole, should possess. In doing so, the Board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.	A skills profile, identifying the desired mix of experience and competencies required for the Board to effectively discharge its responsibilities, has been developed and is periodically updated.	Yes
(b) Assess what competencies and skills each existing Director possesses. It is unlikely that any one Director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each Director, as these may ultimately determine the boardroom dynamic.	The Governance/Human Resources Committee, with assistance from the Corporate Secretary, maintains and updates a skills matrix of existing members. As needed, it conducts a gap analysis to identify skills required for future appointments to round out the Board's overall skill set.	Yes
The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision making. In carrying out each of these functions, the Board should consider the advice and input of the Nominating Committee.	The terms of reference for the Governance/Human Resources Committee state that it shall recommend the size of the Board.	Yes
3.13 The Nominating Committee should be responsible for identifying individuals qualified to become new Board Members and recommending to the Board the new Director nominees for the next annual meeting of shareholders.	Pursuant to the Board terms of reference, the Board adopts policies and processes to enable effective communication with CIC, stakeholders and the public.	Yes
3.14 In making its recommendations, the Nominating Committee should consider: (a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (b) the competencies and skills that the Board considers each existing Director to possess; and	The terms of reference for the Governance/Human Resources Committee require the Committee to "recommend to the Board the size, composition, required capabilities and compensation of the Board of Directors to meet the needs of the Corporation."	Yes
(c) the competencies and skills each new nominee will bring to the boardroom. The Nominating Committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board Member.	When seeking candidates to fill a vacancy, it is the responsibility of Executive Council to consider how the skills and competencies of each candidate fit with the identified gaps on the Board.	Partial compliance

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Compensation 3.15 The Board should appoint a Compensation Committee composed entirely of independent Directors.	All members of the Governance/Human Resources Committee are independent Directors.	Yes
3.16 The Compensation Committee should have a written charter that establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the Compensation Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	The terms of reference for the Governance/Human Resources Committee incorporate a written charter, which includes all items referred to in the CSA guideline (with the exception of member appointment and removal, which is established by statute). The Board terms of reference state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.	Substantial compliance
3.17 The Compensation Committee should be responsible for: (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;	The Governance/Human Resources Committee's terms of reference state that the CEO's review is based upon agreed-upon objectives, updated each year. While CEO compensation is not addressed specifically, the committee has the responsibility to review and monitor all management compensation and benefit programs. As SaskPower is not a publicly-traded company, the parameters for CEO compensation are set by its shareholder, CIC.	Substantial compliance
(b) making recommendations to the Board with respect to non-CEO Officer and Director compensation, incentive-compensation plans and equity-based plans; and	The Governance/Human Resources Committee has the responsibility to annually review and monitor management compensation and benefit programs and make recommendations to the Board. CIC, as shareholder, sets Director remuneration.	Substantial compliance
(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	The Board annually approves the disclosure of the compensation of executive members and all employees earning more than $50,000 per year. The compensation is disclosed to the Standing Committee on Crown and Central Agencies of the Legislative Assembly, and ultimately the public, through payee disclosure. In addition, the President and CEO — and direct reports — are required to file their employment contracts, and any amendments thereto, with the Clerk of the Executive Council pursuant to *The Crown Employment Contracts Act*. Key management personnel compensation is disclosed in the notes to the consolidated financial statements.	Yes
Regular Board assessments 3.18 The Board, its committees and each individual Director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:	The Governance/Human Resources Committee coordinates the assessment process with the assistance of the Corporate Secretary or an external service provider. Performance evaluations are conducted annually on a two-year cycle, with Board and Board Chair evaluations being conducted one year, and direct peer, Committee Chair and committee evaluations being conducted the following year. In 2014, evaluations were conducted on the Board and Board Chair.	Yes
(a) in the case of the Board or a Board committee, its mandate or charter, and	Comprehensive evaluation surveys have been developed that take into consideration the mandate of the Board as well as accepted good governance practices.	Yes
(b) in the case of an individual Director, the applicable position description(s), as well as the competencies and skills each individual Director is expected to bring to the Board.	Peer evaluations are completed every other year and are based on the position description for Directors.	Yes

Commencing with its 2014 Annual Report, the Corporation has adopted CSA Amendment Instrument for National Instrument 58-101 respecting disclosure of Director term limits and representation of women on the Board and in Executive Officer positions as reflected in the following table.

CSA national policy 58-101 — Disclosure of Corporate Governance Practices	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Director term limits and other mechanisms of Board renewal 10. Disclose whether or not the issuer has adopted term limits for the Directors on its Board or other mechanisms of Board renewal and, if so, include a description of those Director term limits or other mechanisms of Board renewal. If the issuer has not adopted Director term limits or other mechanisms of Board renewal, disclose why it has not done so.	The appointment and removal of Directors is the prerogative of the Lieutenant Governor in Council pursuant to *The Power Corporation Act*. Director appointments are not subject to term limits.	No
Policies regarding the representation of women on the Board 11. (a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women Directors. If the issuer has not adopted such a policy, disclose why it has not done so.	CIC has a written "Board of Directors' Appointment Policy." While the policy does not specifically refer to the identification and nomination of women Directors, it requires Crown Boards to include, "diversity candidates." The term "diversity candidates" is not defined but is interpreted as including women, Aboriginal persons and visible minorities.	Partial compliance
(b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) A short summary of its objectives and key provisions, (ii) The measures taken to ensure that the policy has been effectively implemented, (iii) Annual and cumulative progress by the issuer in achieving the objectives of the policy, and (iv) Whether and, if so, how the Board or its nominating committee measures the effectiveness of the policy.	CIC maintains statistics regarding the diversity of each Crown Board, including progress made in the percentage of women serving on Crown Boards. Annually, CIC forwards information to the shareholder to be considered when Board appointment decisions are made. The information includes the skill sets required for the Board, and diversity statistics. As of December 31, 2013, the Board was comprised of four women out of a total of 11 members (36%). As of December 31, 2014, the number of women had increased to five out of 12 members (42%).	Partial compliance
Consideration of the representation of women in the Director identification and selection process 12. Disclose whether and, if so, how the Board or nominating committee considers the level of representation of women on the Board in identifying the nominating candidates for election or re-election to the Board. If the issuer does not consider the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board, disclose the issuer's reasons for not doing so.	It is the responsibility of Executive Council to consider the level of representation of women on the Board.	Partial compliance
Consideration given to the representation of women in Executive Officer appointments 13. Disclose whether and, if so, how the issuer considers the level of representation of women in Executive Officer positions when making Executive Officer appointments. If the issuer does not consider the level of representation of women in Executive Officer positions when making Executive Officer appointments, disclose the issuer's reasons for not doing so.	Executive Officer appointments are made by the CEO in consultation with the Board. The CEO gives consideration to the level of representation of women in Executive Officer positions, along with other relevant factors, when making Executive Officer appointments.	Yes

CSA national policy 58-101 — Disclosure of Corporate Governance Practices	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Issuer's targets regarding the representation of women on the Board and in Executive Officer positions 14. (a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's Board or in Executive Officer positions of the issuer by a specific date. (b) Disclose whether the issuer has adopted a target regarding women on the issuer's Board. If the issuer has not adopted a target, disclose why it has not done so.	Although the CIC policy requires Crown Boards to include "diversity candidates," the CIC policy does not adopt a specific target for representation of women on the Board.	No
(c) Disclose whether the issuer has adopted a target regarding women in Executive Officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so. (d) If the issuer has adopted a target referred to in either (b) or (c), disclose: (i) The target, and (ii) The annual and cumulative progress of the issuer in achieving the target.	SaskPower does not currently have a target regarding women in Executive Officer positions. However, the Corporation intends to develop a policy relating to the representation of women in Executive Officer positions and in other senior management positions in 2015.	No
Number of women on the Board and in Executive Officer positions 15. (a) Disclose the number and proportion (in percentage terms) of Directors on the issuer's Board who are women.	The Board is currently comprised of 12 members, five of which are women (42%).	Yes
(b) Disclose the number and proportion (in percentage terms) of Executive Officers of the issuer, including all major subsidiaries of the issuer, who are women.	Currently, three out of 11 (27%) Executive Officers are women.	Yes

BOARD OF DIRECTORS

As at December 31, 2014

Rob Pletch
Chair
Regina, Saskatchewan

Robert Pletch, Q.C., joined SaskPower's Board of Directors as Chair in July 2013. Prior to this, he served as SaskEnergy's Board Chair.

As counsel with MacPherson Leslie & Tyerman LLP in Regina, Mr. Pletch's focus of law practice has been commercial and corporate law, securities, and mining law. He was Managing Partner at the firm from 1997-2001, and Chairman from 2003-2011.

Mr. Pletch holds a Bachelor of Arts (with Great Distinction) from the University of Saskatchewan and a Bachelor of Laws from Queen's University. He was appointed Queen's Counsel in 1989, and is Past President of the Law Society of Saskatchewan.

His community involvement includes serving as a Director and Board Chair for the Saskatchewan Roughriders, Governor of the Canadian Football League, Director of Canada Post Corporation, Director of Western Surety Company and a Director and member of the Executive Committee of the Hospitals of Regina Foundation.

Bill Wheatley
Vice-chair
Regina, Saskatchewan

Bill Wheatley is retired. He was formerly Managing Director, Chief Compliance Officer and General Counsel at Greystone Managed Investments Inc., a local investment management firm with more than $33 billion in assets under management. He is a member of the Board of Directors of VIA Rail Canada and is Past Chairman of the Saskatchewan Securities Commission.

Mr. Wheatley graduated from the University of Saskatchewan, where he earned a degree in both Commerce and Law. He was called to the bar in 1973. Before starting work with Greystone, Mr. Wheatley was the head of a Regina real estate firm and Chief of Staff to the Minister responsible for the Saskatchewan Department of Finance and the Department of Justice.

Gord Broda
Prince Albert, Saskatchewan

Gord Broda is the President of Saskatchewan-based Broda Construction Group of Companies and has been with the company since 1976. Mr. Broda has accumulated over 35 years of experience in heavy civil construction and aggregate production. Growing up in the family business and working with the Broda Group of Companies throughout western Canada, Mr. Broda has helped guide the Broda Group through significant growth and expansion. Mr. Broda is a proven leader with experience in planning and development, staffing, finance, asset management, safety, project tendering and management of multi-million dollar projects across western Canada.

Mr. Broda has served on the Board of Directors for the Saskatchewan Heavy Construction Association and various industry-related boards and committees. The Broda Group and the Broda family have been strong Saskatchewan community supporters over the years and continue to support both local and provincial initiatives, charitable organizations and worthy causes. Mr. Broda's strong community involvement includes currently serving as a Director, Vice-President and the current Governor for the Prince Albert Raiders.

Merin Coutts
Saskatoon, Saskatchewan

Merin Coutts joined the Board of Directors in February 2014. Prior to this, she served on the Saskatchewan Government Insurance board where she chaired the HR and Governance Committee. In addition to her role on the SaskPower Board of Directors, Mrs. Coutts is the Chair of the Governance and Nominations Committee on the Saskatoon Regional Economic Development Authority Board of Directors, as well as a Director of the Saskatoon Airport Authority.

Mrs. Coutts is the CEO of Merin Coutts Management Consulting, where she specializes in transitional leadership and change management solutions as well as governance and strategic planning facilitation. Prior to this she held a number of leadership positions in the telecommunications, cable and broadcast industries in Saskatchewan, including the role of Regional Manager for Shaw Communications Inc.'s Saskatchewan division.

Mrs. Coutts holds a Bachelor of Commerce (Great Distinction) from the University of Saskatchewan, as well as a Chartered Director designation from The Directors College, a joint venture between the DeGroote School of Business and the Conference Board of Canada. She also holds a Certified Management Accountant designation.

Judy Harwood

Saskatoon, Saskatchewan

In October 2012, Ms. Harwood was elected Reeve of the Rural Municipality (RM) of Corman Park. Corman Park surrounds the city of Saskatoon and is the largest RM in Saskatchewan.

Ms. Harwood holds a certificate from Cornell University in Essentials of Hospitality Management along with her Certified Hotel Administrator (CHA) designation. Ms. Harwood was voted one of Saskatchewan's 10 Women of Influence by Saskatchewan Business Magazine and awarded the Queen's Golden Jubilee Medal for Outstanding Community Service.

In 2014, Ms. Harwood was elected a Saskatchewan Association of Rural Municipalities Director representing Division 5 and she was also awarded the Lifetime Achievment Award from the North Saskatoon Business Association. Ms. Harwood has served on numerous boards, including the boards of SaskTel, Saskatchewan Transportation Corporation, Saskatoon Prairieland Exhibition Park, Saskatoon and District Chamber of Commerce, Ronald McDonald House, Saskatoon Regional Economic Development Authority, Saskatoon Community Foundation and served as President of the North Saskatoon Business Association.

Mitchell Holash

Prince Albert, Saskatchewan

Mitchell Holash practices law as senior partner in the firm of Holash Logue McCullagh based in Prince Albert. He was awarded the professional distinction of Queen's Counsel in 2010. Mr. Holash has served as Chairman of the Saskatchewan Police Commission, and continues to serve provincially on the Lieutenant Governor's Saskatchewan Honours Advisory Council and as a trustee for the Saskatchewan Foundation for the Arts. He is appointed nationally to the Oversight Committee for the Indian Residential School Adjudication Secretariat.

As a volunteer, he has dedicated himself to the enhancement of our provincial community for more than 25 years, establishing several cultural and recreational facilities, provincial awards ceremonies and charitable organizations. Mr. Holash has been awarded the Saskatchewan Volunteer Medal, the Saskatchewan Centennial Medal and the Saskatchewan Association of Community Planners' Community Development Award, and has been a recipient of both Prince Albert's Citizen of the Year and Sportsman of the Year Awards.

Karri Howlett

Saskatoon, Saskatchewan

Karri Howlett has over 15 years of experience in financial due diligence and risk analysis for financial institutions and small business. Her knowledge is based on positions held with Malaysia Industrial Development Finance, Concentra Financial, Affinity Credit Union, and as Principal of Karri Howlett Consulting Inc. She has conducted financial due diligence and risk analysis for several business endeavours, including business advisement and financial modelling for potash and coal projects, and mergers of financial institutions ranging in size from $75 million to $3 billion in assets.

Ms. Howlett is currently President and Chief Executive Officer and Chair of the Board of Directors of North Rim Exploration Ltd., a 50% employee-owned geosciences and engineering consulting firm based in Saskatoon, Saskatchewan. She led the company's ownership transition from sole-proprietorship to 50% employee ownership and 50% institutional ownership in 2009, and has developed governance and corporate structure to support and enhance corporate growth.

Ms. Howlett holds a Bachelor of Commerce, with Honours in Finance, from the University of Saskatchewan and has earned the Chartered Financial Analyst (CFA) designation. An active community member, she has previously served on the Boards of the Varsity View Community Association, SkateSaskatoon and CFA Society of Saskatchewan. She has been involved with the University of Saskatchewan's Edwards School of Business as a lecturer in the Department of Finance, participant in the Leadership Development Program, and a protégé in the Betty-Ann Heggie Womentorship Program. She currently sits on the Boards of North Rim Exploration Ltd.

John Hyshka

Saskatoon, Saskatchewan

John Hyshka is Chief Operating Officer/Chief Financial Officer for Phenomenome Discoveries Inc. He is formerly the Director of Economic Development of the Saskatoon Regional Economic Development Authority (SREDA) for six years and has been directly involved in the development of the agriculture biotechnology and manufacturing cluster. Mr. Hyshka was also a founding Board Member of the Saskatchewan Nutraceutical Network. After leaving SREDA, he joined Performance Plants Inc. in the position of the Chief Financial Officer with a focus on raising capital and selling technology.

Mr. Hyshka has sat on two venture capital advisory boards in Canada, was on the Board of the Saskatoon and Saskatchewan Chamber of Commerce, and the Business Development Bank of Canada. He has also been an advisor to Working Ventures for a number of years.

In 2000, he started Phenomenome Discoveries Inc. (PDI), a human health research company, with Dr. Dayan Goodenowe, and recently launched COLOGIC®, a simple test to help assess risk for colorectal cancer. Mr. Hyshka currently sits as Director of Defryus Inc., a life science company that develops anti-viral drugs and vaccines.

Bryan Leverick
Saskatoon, Saskatchewan

Bryan Leverick is the President of Saskatchewan-based Alliance Energy Ltd. and has been with the company since 1974. In addition to his role on the SaskPower Board of Directors, Mr. Leverick is the Chair of the Royal University Hospital Foundation's Board of Directors and Past Chair of the Canadian Electrical Contractors Association.

Mr. Leverick has served as Past President of the Saskatchewan Construction Association, Saskatchewan Bid Depository, Saskatoon Construction Association, and Electrical Contractors Association. He is also a Past Chair of the Saskatoon Economic Development Authority and Saskatoon City Hospital Foundation, as well as an avid supporter of Ronald McDonald House and Farm in the Dell. In 2003, he was honoured with the Distinguished Service Award by the Saskatchewan Construction Association, and received the Person of the Year Award in 2006.

Mick MacBean
Calgary, Alberta

Mick MacBean joined Calgary-based private equity firm, TriWest Capital Partners, and is a Senior Managing Director of the firm. From 1998 to 2010, he served as the CEO and Director of Diamond Energy Services, a Swift Current-based energy services company that he founded. Prior to that role, Mr. MacBean was employed by ARC Financial Corporation in a variety of disciplines, including merchant banking and private equity.

Mr. MacBean is the Lead Independent Director and Chair of the Audit Committee for Peyto Exploration and Development, a large natural gas producer listed on the Toronto Stock Exchange. He is a Director of numerous Western Canadian-based private businesses within the TriWest portfolio of companies, and also serves as the Chair of the Board of the Saskatchewan Hockey Hall of Fame.

Mr. MacBean holds a Bachelor of Commerce degree from the University of Saskatchewan and is also a Chartered Accountant and Chartered Director. He was recognized with the Gilbert Bennett Outstanding Graduating Director award by McMaster University, DeGroote School of Business.

Leslie Neufeld
Swift Current, Saskatchewan

Leslie Neufeld holds a Bachelor of Administration degree from the University of Regina, and obtained her Chartered Accountant designation in 1996. Ms. Neufeld began her public practice career with Deloitte & Touche in Regina, Saskatchewan, and relocated to her hometown of Swift Current in 1996 to join Stark & Marsh Chartered Accountants, LLP.

Ms. Neufeld became a partner in 2006 and currently focuses on the Technical Services business unit, which provides tax and compliance services to individuals and corporations. She has also worked extensively in the field of trust and estate taxation. From 2012 to present, she has served as the Chair of the Board of Directors of Stark & Marsh Chartered Accountants, LLP. From June 2008 to June 2010 she served as a Member of Council for the Institute of Chartered Accountants of Saskatchewan and has also participated on the Institute's Practice Appraisal Committee.

Tammy J. Van Lambalgen
Saskatoon, Saskatchewan

Tammy J. Van Lambalgen obtained her Bachelor of Arts degree in 1990 and her Bachelor of Laws degree in 1993, both from the University of Saskatchewan. Following graduation, she worked in Calgary for 10 years as a solicitor and as in-house counsel.

In 2003, Ms. Van Lambalgen returned to Saskatoon, joining AREVA Resources Canada as Manager, Legal. In 2008, she was promoted to her current role of Vice-president, Regulatory Affairs and General Counsel and in 2014 her responsibilities were expanded to her current role as Vice-president, Regulatory, CSR and Legal.

Ms. Van Lambalgen has been on the SaskPower Board of Directors since 2013. She is also on the Board of Directors of AREVA Resources Canada and is a Director and on the Executive of the Saskatchewan Mining Association.

Dale Bloom
Corporate Secretary
Regina, Saskatchewan

Dale Bloom works for CIC, the holding company for Saskatchewan's commercial Crown corporations. He was part of a team at CIC that won the Lieutenant Governor's Gold Medal for Outstanding Public Service in Saskatchewan, as well as a Certificate of Achievement in the International Awards Programme for work in governance and performance management of public enterprises.

Mr. Bloom has worked in the public sector for over 20 years in various capacities. He has several degrees, most recently attaining his MBA in 2011 from the Kenneth Levene Graduate School of Business at the University of Regina. He has been and continues to be involved in various charitable activities in Regina.

COMPENSATION

Under the authority of *The Crown Corporations Act, 1993*, SaskPower's shareholder, CIC, directs the compensation received by Directors. In addition to reimbursement for reasonable expenses incurred while performing their duties (including related travel, meal and accommodation costs), Directors receive an annual retainer and meeting fees for service:

- The Board Chair receives an annual retainer of $40,000.
- Board Members receive an annual retainer of $25,000.
- The Audit & Finance Committee Chair receives an annual retainer of $3,500.
- Other Committee Chairs receive an annual retainer of $2,500.
- Committee members receive a $750 daily meeting fee.

EXECUTIVE TEAM

As at December 31, 2014

Mike Marsh

Acting President and CEO, and Vice-president, Operations, and Chief Operations Officer

Mike Marsh was appointed Acting President and CEO in October 2014. Meanwhile, Mr. Marsh has been Vice-president of Operations and Chief Operations Officer since October 2012. In this position, he is responsible for all operational issues for Power Production, Transmission Services and Distribution Services at SaskPower.

Mr. Marsh has over 35 years of experience and joined SaskPower in 1991, following 12 years in the construction industry in Alberta and Saskatchewan. Once at SaskPower, he spent nine years in engineering and maintenance supervisory positions at the Boundary Dam Power Station and Power Production before serving as the Manager of Business and Financial Planning in Corporate and Financial Services for six years. He was appointed Vice-president of Transmission & Distribution in March 2007 and led this business unit through a period of change, transition and unprecedented growth in the province.

He attended the University of Saskatchewan, where he earned a Bachelor of Science degree in Mechanical Engineering. He later studied at Queen's School of Business and earned a Master's degree in Business Administration. He is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan. He currently represents SaskPower as Past Chair of the Canadian Electricity Association Transmission Council and has held positions on the Distribution Council and the Occupational Health and Safety Task Group.

Mr. Marsh is a past President of the local chapter of the Canadian Progress Club – Regina Centre, a service organization offering financial assistance to charities supporting children and wellness.

Diane Avery

Vice-president, Customer Services

Diane Avery is a Saskatchewan native with over 27 years of experience in the Crown utility sector in both monopoly and competitive markets. Ms. Avery joined SaskPower in 2012 and currently holds the position of Vice-president, Customer Services. She previously held a variety of roles, including Vice-president, Commercial, at SaskPower as well as several roles with SaskTel, including Director of Technology, Director of Marketing and Director of Business Simplification. In her past positions, Ms. Avery has focused on delivering a positive customer experience and has implemented innovative solutions to customer, employee and supplier challenges.

Ms. Avery holds a Bachelor of Administration from the University of Regina. She has completed numerous professional development programs including Creating a Culture of Innovation at the Kellogg School of Management at Northwestern University and the Executive Marketing Program at the University of Western Ontario's Richard Ivey School of Business. She has also been the past Board President and Chair of the Queen City Kinsmen Gymnastics Club as well as a past Board Member on the Canadian Wireless Telecommunications Association. She currently represents SaskPower on the Customer Council for the Canadian Electricity Association and the Saskatchewan Science Centre Board of Directors.

Guy Bruce

Vice-president, Resource Planning, and Acting Vice-president, Properties and Project Delivery

Guy Bruce is a Saskatchewan native with over 35 years of experience in the electricity industry. Throughout his career, he has served in a variety of roles, which include plant engineering, system operations, risk management, business planning, asset management, environment, and regulatory affairs.

Mr. Bruce was appointed to the SaskPower Executive in September 2011. He is currently responsible for electricity supply planning. In July 2014, he also became responsible for Properties and Project Delivery in an acting capacity. Mr. Bruce is a professional electrical engineer who graduated from the University of Saskatchewan.

Kory Hayko

Acting Vice-president, Fuel and Cross-Crown Collaboration, and President and CEO, NorthPoint Energy Solutions

Kory Hayko was appointed Acting Vice-president, Fuel and Cross-Crown Collaboration, and President and CEO, NorthPoint Energy Solutions, in July 2014. Prior to that, he was Acting Vice-president, Customer Services. Mr. Hayko has more than 20 years of experience in numerous roles with SaskPower. Before moving into his present role he was the Director, Energy Management and Trading, for NorthPoint Energy Solutions, a wholly owned subsidiary of SaskPower.

Mr. Hayko graduated from the University of Regina with a Bachelor of Science in Industrial Systems Engineering, and has a Master of Applied Science in Energy Systems. He is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan. Outside of SaskPower, Mr. Hayko is an active member in the community. He is involved with Regina Minor Softball, the Regina Community Basketball Association, Heart and Stroke Foundation, Canadian Cancer Society, MS Society of Canada and Canadian Diabetes Association.

Sandeep Kalra
Vice-president, Finance, and Chief Financial Officer

Sandeep Kalra was appointed Vice-president and Chief Financial Officer, Finance, in 2009. Mr. Kalra joined SaskPower after eight years in various positions with Finning International, the world's largest Caterpillar distributor. His career with Finning began in 2000 as the Director of Finance and Corporate Controller. Mr. Kalra went on to become Vice-President of Finance for Finning South America based in Chile and then Vice-president and Corporate Treasurer at the company's head office in Vancouver.

Prior to his work with Finning, he held financial positions with Hertz Corporation, PepsiCo, Deloitte and Samtel India. He is a Chartered Accountant through both the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of India. Mr. Kalra holds a Bachelor of Commerce degree with honours from Delhi University, an MBA from the Stern School of Business at New York University and an ICD.D designation from the Institute of Corporate Directors.

Tom Kindred
Vice-president, Information Technology and Security, and Chief Information Officer

Tom Kindred was appointed Vice-president of Information Technology and Security and Chief Information Officer in February 2009. Prior to his role with SaskPower, Mr. Kindred was Site Executive and Senior Vice-president of Innovation and Client Enhanced Services for MBNA Canada Bank/Bank of America. He spent over 10 years with CUETS Financial as the Executive Vice-President and CIO and 12 years in strategic and engineering positions at SaskTel. He has also served as a lecturer at the University of Regina's Faculty of Engineering.

Mr. Kindred completed the Advanced Management Program at Harvard Business School in Boston and has a Master of Science in Electrical Engineering and a Bachelor of Applied Science in Electronic Information Systems Engineering from the University of Regina. He is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan. Mr. Kindred is Chair of the Canadian Electricity Association Technology Council.

Howard Matthews
Acting Vice-president, Power Production

Howard Matthews was appointed Acting Vice-president of Power Production in July 2014. He has held a number of positions during his career with SaskPower, beginning as an Electrical Engineer in 1989. His most recent role was as Director at Poplar River Power Station, a position he held since 2009.

Prior to joining SaskPower, Mr. Matthews worked as a computer programmer for the Saskatchewan Research Council, Northern Telecom and Saskatchewan Mining and Development Corporation. He also spent time as a Field Engineer with Husky Injection in Toronto. Mr. Matthews holds Bachelor's degrees from the University of Saskatchewan in Commerce and Electrical Engineering.

Judy May
Vice-president, Special Projects, and Acting Vice-president, Human Resources, Safety and Environment

Judith (Judy) May is the Vice-president, Special Projects, and Acting Vice-president, Human Resources, Safety and Environment as of May 2014.

Ms. May's career with SaskPower has spanned the last 33 years. Since joining SaskPower in June of 1981, she has served in a variety of increasingly senior positions within Customer Services. She served as Vice-president of Customer Services from December 2004 until her appointment as Vice-president of Supply Chain Management in February 2012. While serving as Vice-president, Customer Services, she also served as the acting CEO of NorthPoint Energy Solutions, a wholly owned subsidiary of SaskPower, from March 1 to October 17, 2007.

In her current role as Vice-president of Special Projects, she has overseen various matters for the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project pertaining to housing, recruitment, training, safety and environment.

Ms. May is currently serving on the Board of Directors of the Regina United Way, as the Chair of the Resource Development Subcommittee of the Board. She also serves as the executive sponsor of SaskPower's Regina United Way Campaign. Ms. May is also a Senator with Ranch Ehrlo. Ms. May holds a Bachelor of Administration with distinction (1981) from the University of Regina.

Michael Monea
President,
Carbon Capture and Storage Initiatives

Michael Monea joined SaskPower in 2008 as Vice-president, Carbon Capture and Storage Initiatives, and in September 2011 was appointed President of this division. Prior to his role with SaskPower, Mr. Monea was a Senior Vice-president with Canada Capital Energy Corporation.

He also served as Executive Director of the Petroleum Technology Research Centre at the University of Regina and was later appointed Chair of the Board. Mr. Monea has held a number of other executive and technical positions in the oil and gas sector. In 2008, he was appointed to the Society of Petroleum Engineers Distinguished Lecture Program as an expert in enhanced oil recovery. Mr. Monea holds professional engineer and geoscientist designations and is a member of the Canadian Institute of Corporate Directors.

Grant Ring
Vice-president, Business Development, and Acting Vice-president, Aboriginal Relations, Stakeholder Engagement Consultation, and Procurement

Grant Ring was appointed Vice-president, Business Development, in September 2011. In July 2014, Aboriginal Relations, Stakeholder Engagement Consultation and Procurement were added to his portfolio in an acting capacity. He previously served as President and Chief Executive Officer of NorthPoint Energy Solutions, as well as Acting Vice-president and Chief Financial Officer, Corporate and Financial Services.

From 2001 to 2007, Mr. Ring held the position of Treasurer, Financial Services, with Corporate and Financial Services, and prior to that role, spent 11 years in various positions with SaskPower. Before joining SaskPower in 1990, he was employed in various accounting positions in private sector manufacturing and construction. His work experience includes project and asset accounting, general accounting and reporting, business planning, treasury and banking and pension plans in Saskatchewan.

Mr. Ring is a Board Member of the Power Corporation Superannuation Plan. He concluded his term as member of the Public Employees Pension Plan in June 2010 and has held the position of Chair of Financial Executives International Canada. He has served on other non-profit boards as well.

Mr. Ring is a graduate of Queen's University, holding a Master of Business Administration, and is a Certified Management Accountant. His contributions to the financial community were recognized in 2008 when he was named a Fellow of the Society of Management Accountants (FCMA). In 2007, he completed a certificate in Executive Coaching and in 2011 he achieved his ICD.D designation from the Institute of Corporate Directors.

Rachelle Verret Morphy
Vice-President, Law, Land and Regulatory Affairs, General Counsel and Assistant Secretary

Rachelle Verret Morphy joined SaskPower in 2005 as Assistant General Counsel with the Law Department. She was appointed Vice-president in 2011, with responsibility for overseeing the Law, Land and Regulatory Affairs division and advising the President, Executive and Board of Directors on governance issues.

Previously, Ms. Verret Morphy worked for a federally regulated financial institution where she was responsible for providing advice on legal, tax and regulatory matters. Ms. Verret Morphy also worked in the private practice of law for a number of years at a major Saskatchewan law firm, with a focus on procurement, construction, information technology and taxation.

Ms. Verret Morphy is both a lawyer and a chartered accountant, and holds an ICD.D from the Institute of Corporate Directors. She has a Bachelor of Laws from the University of Saskatchewan, and a Bachelor of Commerce (honours) from the University of Ottawa. She is a member of the Law Society of Saskatchewan, the Canadian Bar Association, the Institute of Chartered Accountants of Saskatchewan, the Chartered Professional Accountants of Ontario, the Canadian Corporate Counsel Association and the Association of Corporate Counsel. She also volunteers as a legal advisor with Pro Bono Students Canada.

COMPENSATION

CIC has established a framework for executive compensation, and SaskPower's Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning executive compensation issues to the Governance/Human Resources Committee. Executive performance is assessed annually against corporate and individual objectives that are aligned with our company's Strategic Plan. The mandate for executive compensation for Saskatchewan Crown corporations is established and monitored by CIC.

Direct reports of SaskPower's president & CEO, including all executive members, are required by legislation to file and report the details of their compensation and benefits and any changes to the Clerk of the Saskatchewan Legislature within 14 days of occurrence. In addition, the Crown and Central Agencies Committee of the Legislative Assembly of Saskatchewan requires Crown corporations, including SaskPower, to file an annual payee list that includes the total compensation of executive members.

Salary ranges for SaskPower's executive team, as of December 31, 2014, were:

- President and CEO: $334,625 to $418,282.
- Vice-president: $230,770 to $288,463.

FIVE-YEAR FINANCIAL SUMMARY

(in millions)	2014	2013	2012	2011	2010
Consolidated statement of income					
Revenue					
Saskatchewan electricity sales	**$ 2,043**	$ 1,878	$ 1,687	$ 1,667	$ 1,575
Exports	**7**	62	49	40	12
Net (costs) sales from electricity trading	**(2)**	3	14	14	4
Share of profit from equity accounted investees	**2**	3	5	6	6
Other revenue	**107**	99	100	105	90
	2,157	2,045	1,855	1,832	1,687
Expense					
Fuel and purchased power	**638**	550	513	485	446
Operating, maintenance and administration	**663**	621	618	579	513
Depreciation and amortization	**389**	355	316	290	266
Finance charges	**326**	262	205	199	195
Taxes	**59**	55	47	43	42
Other losses	**39**	35	27	8	9
	2,114	1,878	1,726	1,604	1,471
Income before the following	**$ 43**	$ 167	$ 129	$ 228	$ 216
Unrealized market value adjustments	**17**	(53)	6	9	(19)
Net income	**$ 60**	$ 114	$ 135	$ 237	$ 197
Consolidated statement of financial position					
Assets					
Current assets	**$ 551**	$ 472	$ 441	$ 402	$ 377
Property, plant and equipment	**8,548**	7,641	6,030	5,387	4,923
Intangible assets	**73**	76	62	52	24
Debt retirement funds	**457**	368	390	353	291
Investments accounted for using equity method	**40**	40	37	36	31
Other assets	**5**	7	9	11	13
Total assets	**$ 9,674**	$ 8,604	$ 6,969	$ 6,241	$ 5,659
Liabilities and equity					
Current liabilities	**$ 1,590**	$ 1,376	$ 1,300	$ 705	$ 507
Long-term debt	**4,350**	3,563	2,879	2,774	2,778
Finance lease obligations	**1,130**	1,131	430	434	291
Employee benefits	**233**	153	340	315	203
Provisions	**193**	158	162	149	122
Equity	**2,178**	2,223	1,858	1,864	1,758
Total liabilities and equity	**$ 9,674**	$ 8,604	$ 6,969	$ 6,241	$ 5,659
Consolidated statement of cash flows					
Cash provided by operating activities	**$ 391**	$ 572	$ 396	$ 549	$ 442
Cash used in investing activities	**(1,218)**	(1,264)	(954)	(609)	(518)
Cash provided by financing activities	**827**	688	564	61	74
(Decrease) increase in cash position	**$ –**	$ (4)	$ 6	$ 1	$ (2)
Financial indicators					
Dividends	**$ –**	$ –	$ 120	$ –	$ –
Capital expenditures	**$ 1,279**	$ 1,318	$ 981	$ 625	$ 538
Return on equity	**2.0%**	8.2%	7.0%	12.6%	13.0%
Per cent debt ratio	**73.1%**	69.8%	67.1%	62.6%	62.7%

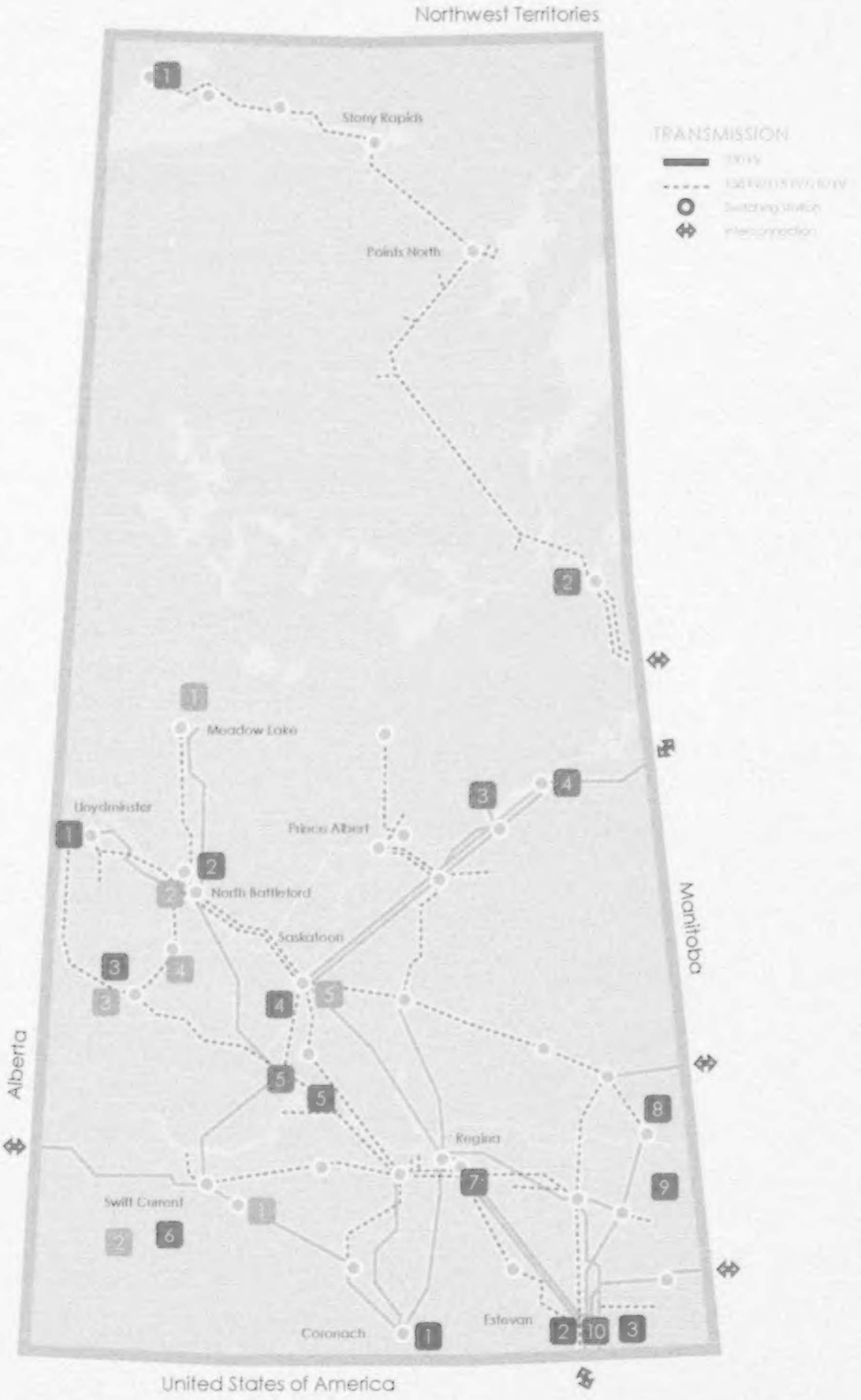
FIVE-YEAR REVENUE STATISTICS

	2014	2013	2012	2011	2010
Number of Saskatchewan customer accounts					
Residential	**373,109**	362,738	353,435	345,854	340,518
Farm	**59,792**	61,076	61,737	62,475	61,577
Commercial	**60,274**	59,402	58,435	58,118	55,714
Oilfield	**18,662**	17,560	16,894	15,437	15,098
Power	**102**	101	108	99	98
Reseller	**2**	2	2	2	2
Total	**511,941**	500,879	490,611	481,985	473,007
Electricity sales (in millions)					
Residential	$ **490**	$ 452	$ 402	$ 408	$ 382
Farm	**164**	155	131	145	141
Commercial	**432**	396	365	355	339
Oilfield	**324**	300	263	242	234
Power	**546**	494	449	440	404
Reseller	**87**	81	77	77	75
Saskatchewan electricity sales	**2,043**	1,878	1,687	1,667	1,575
Exports	**7**	62	49	40	12
Total electricity sales	$ **2,050**	$ 1,940	$ 1,736	$ 1,707	$ 1,587
Electricity sales (GWh)					
Residential	**3,281**	3,190	2,937	3,006	2,882
Farm	**1,364**	1,332	1,149	1,298	1,292
Commercial	**3,788**	3,663	3,532	3,447	3,386
Oilfield	**3,503**	3,448	3,177	2,901	2,872
Power	**8,179**	7,863	7,448	7,321	6,932
Reseller	**1,274**	1,257	1,254	1,253	1,254
Saskatchewan electricity sales	**21,389**	20,753	19,497	19,226	18,618
Exports	**90**	497	460	449	244
Total electricity sales	**21,479**	21,250	19,957	19,675	18,862
Average electricity sales price ($/MWh)					
Residential	$ **149**	$ 142	$ 137	$ 136	$ 133
Farm	**120**	116	114	112	109
Commercial	**114**	108	103	103	100
Oilfield	**92**	87	83	83	81
Power	**67**	63	60	60	58
Reseller	**68**	64	61	61	60
Exports	**78**	125	107	89	49
Total weighted average electricity sales price	$ **95**	$ 91	$ 87	$ 87	$ 84
Average annual usage per residential customer (kWh)	**8,794**	8,794	8,310	8,692	8,464
System-wide average rate increases	**5.5%**	5.0%	0.0%	0.0%	4.5%
	Jan 1	Jan 1			Aug 1

FIVE-YEAR GENERATING AND OPERATING STATISTICS

	2014	2013	2012	2011	2010
Net electricity supplied (GWh)					
Coal	**10,219**	10,846	11,446	11,614	12,038
Gas	**6,883**	6,460	4,968	4,032	3,682
Hydro	**4,706**	4,449	4,240	4,641	3,866
Wind	**636**	646	655	682	507
Imports	**797**	548	656	502	518
Other	**183**	206	164	140	148
Gross electricity supplied	**23,424**	23,155	22,129	21,611	20,759
Line losses	**(1,945)**	(1,905)	(2,172)	(1,936)	(1,897)
Net electricity supplied	**21,479**	21,250	19,957	19,675	18,862
Available generating capacity (net MW)					
Coal	**1,530**	1,591	1,686	1,686	1,686
Gas	**1,567**	1,597	1,337	1,337	1,251
Hydro	**864**	863	853	853	853
Wind	**198**	198	198	198	172
Other	**22**	32	30	20	20
Total available generating capacity	**4,181**	4,281	4,104	4,094	3,982
Peak loads (net MW)					
Annual peak load	**3,561**	3,543	3,314	3,195	3,162
Minimum load	**1,854**	1,839	1,640	1,728	1,636
Summer peak load	**3,131**	3,187	3,053	3,070	2,750
Lines in service (km)					
Transmission lines	**13,405**	13,267	13,174	13,452	14,087
Distribution lines	**142,403**	139,375	138,959	139,390	137,380
Total lines in service	**155,808**	152,642	152,133	152,842	151,467
Number of permanent full-time employees	**3,099**	3,008	2,830	2,701	2,727

SYSTEM MAP


Northwest Territories
TRANSMISSION
230 kV
138 kV/115 kV/72 kV
Switching station
Interconnection
Stony Rapids
Points North
Meadow Lake
Lloydminster
Prince Albert
North Battleford
Saskatoon
Regina
Swift Current
Coronach
Estevan
Alberta
Manitoba
United States of America
1
2
1
1
2
2
3
4
3
3
4
4
5
5
5
5
8
7
9
1
2
6
1
2
10
3

7	3	5	2	10
Hydro Facilities	Coal Facilities	Natural Gas Facilities	Wind Facilities	Independent Power Producer Facilities

At December 31, 2014

	Facility	Net Capacity (MW)	Fuel
1.	Athabasca Hydroelectric System		Hydro
	• Wellington	5	
	• Waterloo	8	
	• Charlot River	10	
2.	Island Falls Hydroelectric Station	111	Hydro
3.	Nipawin Hydroelectric Station	255	Hyrdo
4.	E.B. Campbell Hydroelectric Station	289	Hydro
5.	Coteau Creek Hydroelectric Station	186	Hydro
1.	Poplar River Power Station	582	Coal
2.	Boundary Dam Power Station	672	Coal
3.	Shand Power Station	276	Coal
1.	Meadow Lake Power Station	44	Natural Gas
2.	Yellowhead Power Station	138	Natural Gas
3.	Ermine Power Station	92	Natural Gas
4.	Landis Power Station	79	Natural Gas
5.	Queen Elizabeth Power Station	430	Natural Gas
1.	Centennial Wind Power Facility	150	Wind
2.	Cypress Wind Power Facility	11	Wind
1.	Meridian Cogeneration Station	210	Natural Gas
2.	North Battleford Generating Station	260	Natural Gas
3.	NRGreen Kerrobert Heat Recovery Facility	5	Waste Heat (Gas)
4.	Cory Cogeneration Station	228	Natural Gas
5.	NRGreen Loreburn Heat Recovery Facility	5	Waste Heat (Gas)
6.	SunBridge Wind Power Facility	11	Wind
7.	NRGreen Estlin Heat Recovery Facility	5	Waste Heat (Gas)
8.	Spy Hill Generating Station	86	Natural Gas
9.	Red Lily Wind Energy Facility	26	Wind
10.	NRGreen Alameda Heat Recovery Facility	5	Waste Heat (Gas)
	Small Independent Power Producers	2	Various
Total		4,181	

GLOSSARY

Advanced Metering Infrastructure (AMI)
An integrated system of smart meters, communication networks, and data management systems that enables two-way communication between utilities and customers.

Biomass
Energy resources derived from organic matter. These include wood, agricultural waste and other living-cell material that can be burned to produce heat energy.

Capacity
The greatest load than can be supplied by a generating unit, power station or an entire provincial grid system.

Carbon capture and storage
Technology that reduces greenhouse gas emissions by capturing carbon dioxide, typically at fossil-fuelled power plants, and storing it in geological reservoirs deep underground.

Carbon dioxide (CO_2)
One of the primary greenhouse gases believed to be a cause of climate change. Carbon dioxide is produced in fossil fuel-based electricity generation.

Carbon dioxide equivalent (CO_{2e})
A unit of measurement used to compare the emissions from various greenhouse gases based upon their global warming potential.

Climate change
Climate change refers to any change in climate over time, whether due to natural variability or as a result of human activity.

Cogeneration
The simultaneous generation of electricity and useful heat or steam. The heat could be put in use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold.

Demand
The rate at which electric energy is delivered at a given instant or averaged over a period of time. It is measured in kilowatts, megawatts, etc.

Distribution
Process of moving electric energy at lower voltages from major substations to customers.

Fly ash
The fine powder by-product resulting from the combustion of pulverized coal used in many coal-fired generating stations.

Gigawatt (GW)
A unit of bulk power; one billion watts or one million kilowatts.

Gigawatt hour (GWh)
A unit of bulk energy; 1,000,000 kilowatt hours.

Independent Power Producer (IPP)
An unregulated entity that owns power plants and generates electricity in the competitive wholesale market.

International Financial Reporting Standards (IFRS)
Guidelines and rules set by the International Accounting Standards Board that companies follow when compiling financial statements. IFRS replaced the previous Canadian generally accepted accounting principles as the acceptable set of accounting standards for publicly accountable enterprises in Canada.

ISO 14001
A standard that defines the elements of a sound environmental management system. The ISO 14000 series is a family of environmental management standards developed by the International Organization for Standardization (ISO).

Kilowatt hour (kWh)
A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Load
The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)
A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt hour (MWh)
A unit of bulk energy; 1,000 kilowatt hours.

North American Electric Reliability Council (NERC)
Formed in 1968, its mission is to ensure that the bulk electric system in North America is reliable, adequate and secure.

Net metering
The offsetting of electricity consumption by a customer against the same customer's production of electricity, typically from a small-scale renewable energy source such as wind or solar.

Open Access Transmission Tariff (OATT)
The SaskPower OATT allows eligible users to access our transmission system to transport electricity to wholesale customers within Saskatchewan or across the province to other jurisdictions. The OATT also ensures SaskPower can access the transmission systems of other utilities.

OHSAS 18001
A standard that defines the elements of sound occupational health and safety management systems.

Peak load demand or peak energy demand
The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

Polychlorinated biphenyls (PCBs)
A group of organic compounds that were once used as cooling and insulating fluids in various types of electrical equipment, including transformers and capacitors.

Power purchase agreement (PPA)
A contract between electricity producers in which one party sells energy and/or generating capacity to another, who generally serves end-use retail customers. For example, instead of building a new power plant an electric company can choose to enter into a PPA.

Smart meter
An electronic device that records consumption of electric energy in intervals of an hour or less and communicates that information at least daily back to the utility for monitoring and billing.

Sulphur dioxide (SO_2)
Sulphur dioxide belongs to the family of sulphur oxide gases. These gases are formed when fuel containing sulphur (mainly coal and oil) is burned at power plants and during industrial processes.

Switching station
A facility containing transformers, regulators, switches and protective equipment for changing transmission voltages between transmission lines.

Transmission
Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

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